Manchester City Council

Annual Statement of Accounts 2010/11

Subject to Audit

Annual Statement of Accounts 2010/11

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Explanatory Foreword by the City Treasurer

Introduction

Welcome to Manchester City Council's Annual Statement of Accounts for 2010-11. The statements have been prepared in accordance with the 2010 Code of Practice on Local Authority Accounting and International Financial Reporting Standards (IFRS). Changing requirements over several years have led to the increasing complexity and detail required in the accounts,

The purpose of this foreword is to provide a guide to the Council's accounts and the most significant financial matters contained within the statements. If you would prefer a smaller simpler version of these unaudited accounts, rather than this full version, you can obtain a copy of the Council's summary accounts from your local Manchester library or on the Council's website. This summary version contains the same financial information as in the full accounts but is presented in a simplified manner.

These accounts contain a glossary of financial terms that are intended to assist the reader to understand the specialist accounting terms that are contained within the Statement of Accounts.

The Accountancy Code of Practice requires that the Council's accounts are set out with the core financial statements grouped together, followed by detailed notes, the supplementary statements and the Group Accounts.

The core financial statements are:

The Movement in Reserves Statement (MIRS) which shows the movement in the Council's reserves in the year split between usable and unusable reserves.

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost of the Council activities rather than the amount to be funded from Council Tax. The Council Tax position is shown in the Movement in Reserves Statement.

The Balance Sheet which shows the total assets, liabilities and net worth of the Council.

The Cash Flow Statement which shows the reasons for the change in cash, cash equivalents and the bank overdraft during the year.

Each statement is preceded by a note explaining its purpose and followed by notes explaining the statements.

The main statements are followed by three further sections:

The Housing Revenue Account (HRA) reports on the costs of owning and maintaining properties which are let to tenants and income from renting Council houses to tenants. These costs are also shown within the main statements.

The Collection Fund account reports on the collection of local taxes (council tax and national non domestic rates) and their distribution to the Council and Greater Manchester Police and Greater Manchester Fire and Rescue Authorities.

The Group Accounts shows the full extent of the Council's economic activities by reflecting the full extent of the Council's involvement with its group companies and organisations.

These are followed by notes explaining the statements.

Changes in Accounting Policies

The way the accounts are presented is governed by the accounting policies that the Council has to follow. The accounting practice governing local authority accounts has undergone major changes over the last few years in order to bring public sector accounting in line with that of the private sector. 2010-11 has seen the most significant change with the move to accounting in accordance with International Financial Reporting Standards (IFRS)

Because of the move to IFRS in 2010-11 the figures for 1 April 2009 (the transition date) and 2009-10 have been adjusted to show them on the same basis. This is known as restating the accounts. Full details of the impact of these changes are shown in Note 1 and are explained in the following paragraphs.

Employee Benefits

Under IFRS the cost of employee benefits are shown in the accounts when they are earned rather than when they are taken therefore an accrual is included in the Council's balance sheet for any untaken annual or flexi time leave.

The changes to accounting for employee benefits has resulted in an reduction in the net worth in the Council's Balance Sheet of £6,126,000 in 2010-11 (£6,598,000 in 2009-10), due to the negative unusable reserve for short term accumulated absences, and an increase in the surplus in year in the Comprehensive Income and Expenditure Statement of £472,000 in 2010-11 (decrease in deficit of £2,026,000 in 2009-10).

Leases

Under IFRS twelve property leases that were previously classed as operating leases have been reclassified as finance leases. In addition two contracts, in 2009-10 and three contracts in 2010-11, have been identified as containing embedded finance leases (i.e. the contract conveys the right to use a specific asset).

The change in accounting for leases has resulted in an increase in property, plant and equipment in the Council's Balance sheet of £5,215,000 in 2010-11 (£4,591,000 in 2009-10) with a corresponding increase in the deferred liability. There is no effect in the surplus / deficit in either 2010-11 or 2009-10 relating to the change in accounting for leases.

Property, Plant and Equipment

Under IFRS some items of property, plant and equipment that were previously classed as tangible fixed assets have been reclassified as either investment properties or short term assets held for sale (i.e. the assets are available for sale in their current condition). In addition three properties that were previously classed as investment properties have been reclassified as property, plant and equipment.

The change in accounting for tangible fixed assets has resulted in an increase in the value of investment property of £1,136,000 in 2010-11 (£1,201,000 in 2009-10) and in short term assets held for sale of £795,000 in 2010-11 (£795,000 in 2009-10). These increases are offset by a reduction in the value of property plant and equipment.

This change in accounting also increases the surplus in 2010/11 by £44,490,000 (reduces the deficit in 2009-10 by £9,845,000. This is because gains in valuations of investment property are now recognised as gains within the deficit / surplus on the provision of services rather than shown within unrecognised gains in the revaluation reserve.

Government Grants and External Contributions

Under IFRS government grants and external contributions are recognised as income when the grant or contribution is received provided there are no conditions applicable to the grant or contribution that would result in its repayment. A contribution is made to usable reserves of the equivalent amount to the unused grants. These reserves (totalling £100,898,000) are shown within the net worth of the Council. Previously grants were accounted for as income when the matching expenditure was accounted for.

The change in accounting policy for grants has resulted in the net worth of the Council increasing by £488,731,000 in 2010-11 (£485,747,000 in 2009-10). This is largely because the amount previously shown as the government grants deferred account of £392,484,000 has been transferred to the capital adjustment account (which is shown within net worth whereas the government grants deferred account was not) as part of the move to IFRS. This change in accounting reduces the deficit by £84,712,000 in 2009-10 and increases the surplus by £61,967,000 in 2010-11.

Financial Summary 2010-11

At the end of 2010-11 the Council's general reserve was £21,660,000. The HRA reserve was £51,773,000.

The level of general reserves decreased during the year by £1,366,000. The Council's budget assumed a reduction of £3,242,000. The outturn position therefore represents an under spend across all budgets of £1,876,000.

The main reasons for the underspend against budget are the following:

	£m
Underspend of Directorate controllable budgets	(2,851)
Unused contingency budget	(2.521)
Savings on capital financing costs	(3.852)
Under achievement of efficiency savings	876
Voluntary early retirement and voluntary severance	36,207
Pay in lieu of notice	2,336
Costs of increasing compensation provision	4,013
Additional contributions to provisions	3.500
Planned funding from reserves	(39,393)
Additional dividends and contributions	(17)
Levies (including waste disposal)	(78)
VAT rebate	(96)
Total (underspend) against budget	**(1.876)**

The analysis of the directorate underspend is shown below:-

	£m
Adult Services	(0.911)
Children's Services	(0.549)
Neighbourhood Services	(0.687)
Chief Executive's	(2.449)
Directorate of Transformation (including the Corporate Technology Unit)	4.027
Corporate Services	(2.282)
Total (underspend) against budget	**(2.851)**

The Council's Comprehensive Income and Expenditure Statement

The first section of the Comprehensive Income and Expenditure Statement shows the cost of the Council's services to give a total called Net Cost of Services. This includes items such as depreciation that would be a significant cost in a commercial organisation but which do not need to be funded by Council Tax. The Net Cost of Services totals £499,488,000

The second section contains corporate items such as the gain or loss on the disposal of non current assets, levies paid and payments made in relation to the pooling of HRA capital receipts. This is called Operating Expenditure and totals £112,443,000.

The third section contains Council wide items such as interest paid and received (totalling £17,935,000 credit) plus general income due to the Council from either Council taxpayers, the share of National Non Domestic Rates (NNDR) and general government grants including grants to fund capital expenditure (totalling £642,450,000 credit).

These three sections are totalled to produce the surplus on the provision of services (£48,454,000).

The surplus on the provision of services is reconciled to the movement in the Council's net worth via the Total Comprehensive Income and Expenditure section.

The surplus on the provision of services is adjusted in the Movement in Reserves Statement as follows to reflect any accounting entries that do not impact on the level of Council tax or housing rents.

	£
(Surplus) for year in the Comprehensive Income and Expenditure Statement	(48,454,000)
Items that do not affect Council tax or housing rents	49,820,000
Call on general fund reserve	1,366,000
Budgeted call on general reserves	3,242,000
(Underspend) against the budget	(1,876,000)

Note 7 shows the items that do not affect the level of Council tax or housing rents.

Within the Council's net cost of service expenditure for 2010-11 is costs incurred on the Voluntary Early Retirement (VER) and Voluntary Severance (VS) scheme that was offered to non- schools based staff in response to the need to reduce the Council's expenditure by £109m in 2011-12 rising to £170m in 2011-12 following the Financial

Settlement published in December 2010. The total expenditure for voluntary early retirements, voluntary severance and pay in lieu of notice costs in 2010-11is £38,952,000. The voluntary early retirement (VER) and voluntary severance (VS) costs were funded from a VER / VS reserve which was established from the release of other reserves that were no longer required or for which alternative funding could be found. Four hundred and eleven staff shown in the disclosure of staff receiving remuneration in excess of £50,000 are in receipt of severance payments as the cost of severance pay and pay in lieu of notice are considered part of remuneration received.

The Council's Balance Sheet

The net worth (total reserves) of the Council is split between usable and unusable reserves. Included within the usable reserves section are grants and contributions that are to be used to fund capital expenditure (£72,119,000) and revenue grants and contributions that have been received in advance of the expenditure being incurred (£28,779,000). Prior to the introduction of IFRS these grants and contributions would have been classed as receipts in advance and therefore usable reserves prior to IFRS would have been £233,009,000 rather than £333,907,000 The major reserves within this figure are the HRA reserve £51,733,000 (£48,792,000 is earmarked for future PFI payments and other potential liabilities), capital fund reserve £37,399,000 (to fund major capital schemes), capital receipts reserve £26,962,000 (to fund capital expenditure), general fund reserve £21,066,000, LMS reserve £22,754,000 (for schools use only) and the insurance reserve £17,594,000 (to meet self-insured risks). Whilst these are classed as usable reserves all but the general reserve are earmarked for specific expenditure or risks.

Overall the net worth of the Council has increased by £568,069,000 during 2010-11. Within this usable reserves have reduced by £14,864,000 and unusable reserves increased by £582,933,000. The increase in unusable reserves is as a result of the reduction in the IAS19 valuation of the pension liability of £669,300,000 and a reduction in the capital adjustment account of £151,359,000.

The decrease in the pension liability is mainly due to the change in the method of calculation of pension increases from using CPI rather than RPI (as a result of the Emergency Budget announcement in June 2010) plus the increased returns on the funds investments and falling long term inflation expectations. The change in pension increase assumption is regarded as a change in benefits and has been shown in the Comprehensive Income and Expenditure Statement as a past service credit of £258,600,000. The past service credit is the decrease in present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or reductions, in retirement benefits.

The reason for the reduction in the Capital Adjustment Account is the impairment of property, plant and equipment during the year. This impairment mainly relates to capital expenditure that does not increase the value of assets and the downward revaluations of assets

Capital Expenditure

The Council spends money on capital projects within the definitions of capital expenditure contained in the Local Authorities (Capital Finance and Accounting) Regulations 2003.

Capital expenditure has to be financed from one of the following sources:

- Borrowing, the costs of which are, either supported or unsupported by the Government (for supported borrowing the interest and principal repayment costs for the debt are funded by central government grant)
- Grants or contributions from the Government, the European Union or another third party
- Use of the HRA Major Repairs Allowance (an element of housing subsidy provided by the government)
- Proceeds from the sale of capital assets or the repayment of capital loans (capital receipts)
- Contributions from revenue funding (revenue contributions)

The Council spent £292,676,000 in 2010-11, which is summarised below. More details can be found in Note 27 to the Core Financial Statements.

	2009-10	2010-11
	£m	£m
Fixed Assets (Property , Plant and Equipment and investment Properties)	216	213
Revenue Expenditure funded from Capital under Statute	93	80
Long-term Debtors	15	0
Total	324	293

Revenue Expenditure funded from Capital under Statute relates to capital expenditure incurred on non-Council properties (e.g. Academies) and grants to organisations for capital expenditure on their properties.

Capital expenditure classed as Long-term debtors related to loans given to external organisations related to the Council (e.g. Destination Manchester Ltd).

The financing of this expenditure was by the following methods:

	2009-10	2010-11
	£m	£m
Borrowing	143	67
Government Grants	154	198
External Contributions	5	3
Major Repairs Allowance	21	11
Revenue Contributions	1	14
Total	324	293

Borrowing is split between supported borrowing (£15,831,000) and unsupported borrowing (£51,473,000). Borrowing mainly relates to housing, asset management works, acquisition of land at Spinningfields, asset management works, the Town Hall transformation project, highways and regeneration schemes.

How the Council performed in 2010-11.

Value for Money

Manchester City Council, like may other Council's is facing a difficult financial future due to the cuts in funding imposed by the current Government to meet its spending targets. In fact Manchester has been more severely hit than many other Councils. Manchester City Council has a strong financial standing and a good track record of achieving savings through adopting more efficient ways of providing our services whilst maintaining prudent levels of reserves and maintaining low council tax increases. Manchester has invested in ambitious change programmes to transform service delivery and deliver improved outcomes for the residents of Manchester over the next few years. In this way the Council are seeking to mitigate as far as it can the impact of the cuts in our funding and further improving the value the Council gets from each pound spent is fundamental to our approach to national spending restrictions.

Performance Indicators

The targets we set ourselves and our partners are aimed at improving the quality of life in the city by delivering Manchester's Community Strategy. Manchester is committed to improving value for money in service delivery and quality of life for the city's residents, especially in the current challenging economic climate.

The public transport network has been improving across the city with congestion levels falling and more people choosing to travel into the city by other forms of transport than private car. Further improvements to the public transport network, including the extension of the tram system, are expected to continue these positive trends going forward. Work on extending the tram network is underway and four new lines will nearly double the size of the network across Greater Manchester, with 32 km of new track and 27 new stops.

The economic success of our area can be judged using a measure known as Gross Value Added (GVA). GVA measures the value of goods and services produced in an area or sector of an economy. GVA has been steadily growing across Greater Manchester; it has consistently grown over the last decade, nearly doubling from £11,705 in 1995 to £22,920 per head in 2008, the most recently available figures.

We surveyed Manchester residents again this year and were pleased that resident satisfaction with their area as a place to live remained at 75% in 2010/11. The majority of residents continue to be satisfied with their lives overall, with 88% of residents satisfied with life in 2010/11.

Serious crime rates in Manchester have fallen significantly from 2009/10 to 2010/11. Serious Violent Crime has reduced by 10% from 2009/10 to 2010/11 and Serious Acquisitive Crime has reduced 23.5% from 2009/10 to 2010/11. This builds on improvements made in the previous year. In addition, there has been an increase in the proportion of residents that believe that the Police and other local service are tackling ASB and crime of the greatest importance to local communities.

The percentage of pupils in Manchester gaining five or more GCSE grades including English and Maths has increased from 38.6% in 2009/10 to 46% in 2010/11. The attendance rate in secondary schools in the City has increased from 90% in 2009 to 91% in 2010.

Improvements to recycling and rubbish collections in Manchester mean residents can now recycle more of their rubbish each week. This has contributed to a significant increase in the proportion of waste recycled or composted (provisionally 25.8% in 2010/11 compared to 18.8% in 2009/10) and a decrease in residual household waste per household (provisionally 635kg in 2010/11 compared to 701kg in 2009/10).

Effect of the Current Economic Climate

Manchester remains the main driver of growth for Greater Manchester - both in terms of employment and Gross Value Added (GVA) productivity. Whilst the economic downturn has had a considerable impact on all aspects of the local economy on a macro economic level the city remains relatively well placed to emerge more quickly than many other UK cities.

The 2011-13 Local Government Settlement has undoubtedly placed significant additional pressure on Manchester City Council, particularly on its ability to continue delivering key services to residents and businesses in the city. The Council remains committed to our pre-settlement focus of creating the right conditions for economic

growth in the city - promoting private sector investment, creating jobs, reducing worklessness and resident dependency on welfare - the settlement has provided an opportunity to redefine the Council's role in delivering this goal. Increasingly, the Council will move away from the direct provision of many services in the city and towards a strategic commissioning and influencing role; directing services to meet emerging needs and ensuring that delivery by external private/public/third sector partners is of the highest standard.

Our limited resources are therefore being focused on areas of greatest need; providing sufficient resources safeguard and protect the most vulnerable residents and commissioning activity that is not catered for by some of the Governments flagship welfare to work provision.

Major Acquisitions and Disposals

The Council's major acquisitions and disposals during 2010/11 are as follows.

The Council acquired the ownership of land at Hardman Boulevard in Spinningfields for £15m during 2010-11.

Schools which have gained Foundation and Trust status have been removed from the balance sheet. These schools were Baguley Hall County Primary, Benchill County Primary, Newall Green High and Whalley Range High with a combined value upon disposal of £58m.

The Fine Lady Bakery site which MCC acquired using North West Development Agency funding has been disposed of and the grant funding repaid. The value upon disposal was £2.4m.

Borrowing Limit

In 2010-11 the Council had an authorised limit for external debt of £1,187,000,000 that compares to the actual level of debt outstanding at 31 March 2011 of £775,426,000.

This is made up of the following figures:

	2009-10 £000s	2010-11 £000s
Long-term Borrowing	704,947	774,960
Short-term Borrowing	1,508	467
Total	706.455	775,427

During the year borrowing increased by £68,972,000.

Private Finance Initiatives (PFI)

PFIs involve a private sector contractor building or improving fixed assets used in the provision of public services and operating and maintaining the asset for an agreed period of time.

As at 31 March 2011, the Housing Energy Services Contract, Temple School, A6 Plymouth Grove Housing, Miles Platting Housing, Public Lighting and Wright Robinson Sports College schemes had commenced. Further details on these schemes including funding sources are shown in note 9.

Private Public Partnership (PPP) Schemes

The Council has also developed the following PPP Schemes with private sector contractors to provide services to the Council and its residents:

- Manchester Working – during 2006-07 the Council established a partnership arrangement with Morrison PLC for the provision of building maintenance services for the Council and Northwards Housing
- Indoor Leisure PPP – the Council has established a trust, which signed a contract with Serco Ltd for renovation, maintenance and management of some indoor leisure facilities
- Wythenshawe Forum PPP – the Council has established a trust, which has responsibility for the renovation, maintenance and facilities management of Wythenshawe Forum
- Car Parks Partnership – the Council has entered into a partnership with National Car Parks Limited to manage its car parks.

Retirement Benefits

Additional information is provided on the provisions of IAS19 Retirement Benefits. The objective of IAS19 is to ensure the accounts reflect the assets and liabilities underlying the obligations relating to retirement benefits. Further information on IAS19 is shown in the notes 41 and 42 to the core financial statements.

Further Information

Further information about the Council's Annual Statement of Accounts is available upon request from the following address:

Financial Accountancy

Corporate Services Department

Town Hall

Manchester

M60 2JR

The Annual Statement of Accounts can also be viewed on the Council's website. Please contact us at the above address if you have any comments on the presentation of the Annual Statement of Accounts.

Local electors and taxpayers have a statutory right to inspect the Council's Annual Statement of Accounts and all related books, deeds, contracts, bills, vouchers and receipts relating before the annual accounts audit has been completed, giving an opportunity to question the auditor. The availability of the Annual Statement of Accounts for inspection was advertised in the Manchester Evening News on 28 June and on the Council's website. The Council also publishes its future spending plans in its Medium Term Financial Plan, which is available on the Council's website.

The Statement of Responsibilities for the Annual Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the City Treasurer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the statement of accounts.

The City Treasurer's Responsibilities

The City Treasurer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the City Treasurer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The City Treasurer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The statement of accounts gives a true and fair view of the financial position of the authority as at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

R. Paver
City Treasurer
29 June 2011

Movement In Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure) and other reserves. The surplus or (deficit) on the Provision of Services line shows the commercial cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from the earmarked reserves undertaken by the Council.

		General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total Usable Reserves	Revaluation Reserve	Available for sale Financial Instruments	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Short term Compensated Absences	Unusable Reserves	Total Authority Reserves
	Note	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2009		(26,263)	(177,183)	(6,073)	(40,541)	(7,808)	(48,013)	(13,169)	(319,050)	(264,154)	(942)	398,900	(1,416,312)	(411)	5,097	(3,410)	8,624	(1,272,608)	(1,591,658)
Movement in reserves during 2009/10																			
Deficit on provision of services		(16,412)	0	102,483	0	0	0	0	86,071	0	0	0	0	0	0	0	0	0	86,071
Other comprehensive expenditure and income																			
Surplus on revaluation of property, plant and equipment	39a	0	0	0	0	0	0	0	0	(10,154)	0	0	0	0	0	0	0	(10,154)	(10,154)
Surplus on revaluation of available for sale financial assets	39b, 39f	0	0	0	0	0	0	0	0	0	(700)	0	0	0	(91)	0	0	(791)	(791)
Actuarial losses on pension assets/liabilities	41	0	0	0	0	0	0	0	0	0	0	622,500	0	0	0	0	0	622,500	622,500
Total comprehensive expenditure and income		(16,412)	0	102,483	0	0	0	0	86,071	(10,154)	(700)	622,500	0	0	(91)	0	0	611,555	697,626
Reversal of items debited or credited to the comprehensive income and expenditure statement	7	(22,080)	327	(104,858)	0	(8,087)	(20,208)	11,223	(143,683)	793	0	15,800	124,701	0	1,641	748	0	143,683	0
Insertion of items not debited or credited to the comprehensive income and expenditure statement	7	24,726	0	0	0	1,200	0	0	25,926	0	0	0	(25,500)	0	(426)	0	0	(25,926)	0
Other adjustments	7	(61)	0	0	0	0	0	0	(61)	12,830	0	0	(12,831)	62	0	0	0	61	0
Total adjustments between accounting basis and funding basis under regulations		2,585	327	(104,858)	0	(6,887)	(20,208)	11,223	(117,818)	13,623	0	15,800	86,370	62	1,215	748	0	117,818	0
Net increase/decrease before transfers to earmarked reserves		(13,827)	327	(2,375)	0	(6,887)	(20,208)	11,223	(31,747)	3,469	(700)	638,300	86,370	62	1,124	748	0	729,373	697,626
Transfers (to)/from earmarked reserves		17,064	(15,365)	3,961	(3,961)	0	327	0	2,026	0	0	0	0	0	0	0	(2,026)	(2,026)	0
(Increase)/decrease in year		3,237	(15,038)	1,586	(3,961)	(6,887)	(19,881)	11,223	(29,721)	3,469	(700)	638,300	86,370	62	1,124	748	(2,026)	727,347	697,626
Balance at 31 March 2010		(23,026)	(192,221)	(4,487)	(44,502)	(14,695)	(67,894)	(1,946)	(348,771)	(260,685)	(1,642)	1,037,200	(1,329,942)	(349)	6,221	(2,662)	6,598	(545,261)	(894,032)
Movement in reserves during 2010/11																			
(Surplus)/deficit on provision of services		(226,149)	0	177,695	0	0	0	0	(48,454)	0	0	0	0	0	0	0	0	0	(48,454)
Other Comprehensive Expenditure and Income																			
Surplus on revaluation of property, plant and equipment	39a	0	0	0	0	0	0	0	0	(78,906)	0	0	0	0	0	0	0	(78,906)	(78,906)
Surplus on revaluation of available for sale financial assets	39b, 39f	0	0	0	0	0	0	0	0	0	(50)	0	0	0	(59)	0	0	(109)	(109)
Actuarial gains on pension assets/liabilities	41	0	0	0	0	0	0	0	0	0	0	(440,600)	0	0	0	0	0	(440,600)	(440,600)
Total Comprehensive Expenditure and Income		(226,149)	0	177,695	0	0	0	0	(48,454)	(78,906)	(50)	(440,600)	0	0	(59)	0	0	(519,615)	(568,069)
Reversal of items debited or credited to the comprehensive income and expenditure statement	7	219,638	23	(180,411)	0	(13,493)	(4,225)	1,166	22,698	0	6	(228,700)	206,975	0	212	(1,191)	0	(22,698)	0
Insertion of items not debited or credited to the comprehensive income and expenditure statement	7	36,074	2,785	(76)	0	1,226	0	0	40,009	0	0	0	(40,583)	0	574	0	0	(40,009)	0
Other adjustments	7	139	0	0	0	0	0	0	139	15,134	0	0	(15,033)	(240)	0	0	0	(139)	0
Total adjustments between accounting basis and funding basis under regulations		255,851	2,808	(180,487)	0	(12,267)	(4,225)	1,166	62,846	15,134	6	(228,700)	151,359	(240)	786	(1,191)	0	(62,846)	0
Net increase/decrease before transfers to earmarked reserves		29,702	2,808	(2,792)	0	(12,267)	(4,225)	1,166	14,392	(63,772)	(44)	(669,300)	151,359	(240)	727	(1,191)	0	(582,461)	(568,069)
Transfers (to)/from earmarked reserves		(28,336)	28,800	4,298	(4,290)	0	0	0	472	0	0	0	0	0	0	0	(472)	(472)	0
(Increase)/decrease in year		1,366	31,608	1,506	(4,290)	(12,267)	(4,225)	1,166	14,864	(63,772)	(44)	(669,300)	151,359	(240)	727	(1,191)	(472)	(582,933)	(568,069)
Balance at 31 March 2011		(21,660)	(160,613)	(2,981)	(48,792)	(26,962)	(72,119)	(780)	(333,907)	(324,457)	(1,686)	367,900	(1,178,583)	(589)	6,948	(3,853)	6,126	(1,128,194)	(1,462,101)

Comprehensive Income and Expenditure Statement

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2009/10 Gross Expenditure £000s	2009/10 Gross Income £000s	2009/10 Net Expenditure £000s		Notes	2010/11 Gross Expenditure £000s	2010/11 Gross Income £000s	2010/11 Net Expenditure £000s
			Continuing operations				
209,103	58,648	150,455	Adult social care		199,709	48,528	151,181
11,576	7,885	3,691	Central services to the public		13,981	8,494	5,487
705,023	474,491	230,532	Education and children's services		748,302	580,221	168,081
186,324	76,002	110,322	Cultural, environmental, regulatory and planning services		216,238	56,104	160,134
38,871	19,644	19,227	Highways and transport services		48,745	17,267	31,478
558,039	442,847	115,192	Housing Services		671,455	454,700	216,755
11,227	687	10,540	Corporate and democratic core		7,645	123	7,522
48,203	(25)	48,228	Non-distributed costs*		17,423	258,573	(241,150)
1,768,366	**1,080,179**	**688,187**	**Net cost of services**		**1,923,498**	**1,424,010**	**499,488**
			Other operating expenditure				
0	3,139	(3,139)	(Gain)/Loss on disposal of non current assets		71,746	13,344	58,402
49,472	0	49,472	Levies not included in net cost of services		52,815	0	52,815
1,200	0	1,200	Payments to government housing capital receipts pool		1,226	0	1,226
50,672	**3,139**	**47,533**	**Total other operating expenditure**		**125,787**	**13,344**	**112,443**
181,971	156,244	25,727	Financing and investment income and expenditure	13	217,640	235,575	(17,935)
0	675,376	(675,376)	Taxation and non-specific grant income	14	0	642,450	(642,450)
2,001,009	**1,914,938**	**86,071**	**(Surplus)/deficit on provision of services**		**2,266,925**	**2,315,379**	**(48,454)**
		(10,154)	Surplus on revaluation of property, plant and equipment	39a			(78,906)
		(791)	Surplus on revaluation of available for sale financial assets	39b / f			(109)
		622,500	Actuarial (gains)/loss on pension assets/liabilities	41			(440,600)
		697,626	**Total comprehensive income and expenditure**				**(568,069)**

* Items included in non-distributed costs are depreciation, impairment and grants relating to non-operational assets and past service pension costs / credits plus settlements and curtailments on pensions.

R.U/

Richard Paver
City Treasurer
29 June 2011

Balance Sheet

The balance sheet is fundamental to the understanding of the Council's financial position at the end of the financial year. The statement reports on the Council's balances on assets (fixed and current), liabilities (long and short-term) and reserves.

1 April 2009 £000s	31 March 2010 £000s		Note	31 March 2011 £000s	
		Long-term assets			
2,271,180	2,290,865	Property, plant and equipment	19	2,182,757	
302,746	313,038	Investment properties	26	384,346	
2,533	2,365	Intangible fixed assets	23	1,784	
121,848	129,439	Long-term investments in subsidiaries and associates	29	129,498	
2,026	2,726	Other long-term investments	29	2,776	
105,917	115,441	Long-term debtors	31	116,120	
2,806,250	**2,853,874**	**Total long-term assets**			**2,817,281**
		Current assets			
21	0	Short-term investments		0	
8,950	1,297	Inventories	30	1,470	
252,322	155,478	Short-term debtors	31	139,895	
(10,250)	(1,489)	Cash and cash equivalents	46	65,763	
1,963	795	Short-term assets held for sale	21	795	
253,006	**156,081**	**Total current assets**			**207,923**
3,059,256	**3,009,955**	**Total assets**			**3,025,204**
		Current liabilities			
(22,988)	(1,508)	Short-term borrowing		(467)	
(190,109)	(168,598)	Short-term creditors	32	(198,098)	
(9,090)	(2,970)	Short-term provisions	36	(20,058)	
(5,611)	(8,951)	Short-term deferred liabilities	34	(9,971)	
(227,798)	**(182,027)**	**Total current liabilities**			**(228,594)**
2,831,458	**2,827,928**	**Total assets less current liabilities**			**2,796,610**
		Long-term liabilities			
(1,950)	(276)	Long-term creditors	32	(1,708)	
(11,153)	(17,823)	Long-term provisions	36	(9,853)	
(673,691)	(704,947)	Long-term borrowing	33	(774,960)	
(152,894)	(172,809)	Long-term deferred liabilities	34	(179,287)	
(1,212)	(841)	Capital grants receipts in advance	35	(801)	
(398,900)	(1,037,200)	Pensions liability	41	(367,900)	
(1,239,800)	**(1,933,896)**	**Total long-term liabilities**			**(1,334,509)**
1,591,658	**894,032**	**Total assets less liabilities**			**1,462,101**
		Financed by:			
319,050	348,771	Usable reserves	39		333,907
1,272,608	545,261	Unusable reserves	39		1,128,194
1,591,658	894,032	**Total net worth**			1,462,101

Richard Paver
City Treasurer
29 June 2011

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from the operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income of from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2009/10 £000s		Note	2010/11 £000s
86,071	Net (surplus)/deficit on the provision of services		(48,454)
(257,941)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(147,117)
115,028	Adjustments for items included in the net surplus of deficit on the provision of services that are investing and financing activities		54,571
(56,842)	**Net cash flows from operating activities**		**(141,000)**
60,702	Investing activities	48	130,100
(12,621)	Financing Activities	49	(56,352)
(8,761)	**Net increase or decrease in cash and cash equivalents**		**(67,252)**
(10,250)	Cash and cash equivalents at the beginning of the reporting period		(1,489)
(1,489)	**Cash and cash equivalents at the end of the reporting period**	46	**65,763**

Notes to the Core Financial Statements

Notes to Core Financial Statements

Note 1. Transition to International Financial Reporting Standards (IFRS)

The Statement of Accounts for 2010/11 is the first to be prepared on an international accounting basis. Adoption of the IFRS-based code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10. The changes that are applicable to the Council are explained below.

Employee Benefits
Employees receive benefits as part of their contract of employment such as annual leave and time off in lieu, entitlement to which is built up as they provide services to the Council. Under IFRS, the cost of providing holidays and similar benefits is required to be recognised as a liability on the Council's balance sheet when any leave earned by an employee during the financial year is not taken by 31 March. This is achieved by including an accrual in the Council's accounts. There is no effect on usable reserves from this change as an equivalent amount is transferred from an unusable reserve.

Leases
The distinction between a finance leases and an operating leases has changed under IFRS and is now based on who holds a significant proportion of the risks and rewards of ownership of the asset being leased; the lessee or the lessor. Furthermore, the definition of a lease has been broadened to include arrangements where the Council gets sole use of an asset through a service provision which it pays for. This results in additional assets being included on the Council's balance sheet. There is no effect on usable reserves from this change.

Grants and Contributions
Under IFRS the Accounting treatment of grants and contributions is based on the conditions attached and whether or not they have been satisfied by 31 March. Where conditions have been satisfied, the grants and contributions are recognised in the Comprehensive Income and Expenditure Statement regardless of whether they have been spent or not.

For capital grants and contributions, the unspent balance is transferred to the Unapplied Capital Grants Account (useable reserve) and the spent balance is transferred to the Capital Adjustment Account (unusable reserve).

For revenue grants and contributions, the unspent balance is transferred to earmarked revenue reserves (useable reserves).

Those grants and contributions with unsatisfied conditions by 31 March are treated as receipts in advance on the Council's balance sheet.

As a result of these changes grant income is included within the Comprehensive Income and Expenditure Statement in advance of the matching expenditure but is transferred to usable reserves This change in accounting treatment has led to a significant increase in usable reserves.

Asset Accounting
There are number of changes to the accounting of property, plant and equipment (formerly fixed assets) assets as follows,

There is greater emphasis on recognising components of assets such as roofs, windows etc. where the component is a significant part of the asset. These components will have different useful lives to the remainder of the asset and will be depreciated at a different rate. When a component is replaced the value of the old component is removed from the Council's balance sheet. There are also changes to the treatment of impairment and revaluation losses This is known as componentisation.

Gains or losses on revaluation of investment properties are charged to the Comprehensive Income and Expenditure Statement even when there is a balance in the Revaluation Reserve (previously any gain would have been charged to the revaluation reserve if it contained a balance relating to that specific asset). All income and expenditure relating to investment properties is shown on a separate line within the Comprehensive Income and Expenditure Statement rather than within the cost of services.

Assets held for sale is a new category of assets with specific criteria based around the likely sale. There are specific valuation requirements for these assets which are no longer depreciated at the point of classification

The effect of these changes is shown in the tables that follow.

Also shown within the note are the changes from the former Income and Expenditure Account to the IFRS Comprehensive Income and Expenditure Statement are a number of presentation changes where items that were previously shown separately have been combined. The breakdown of these combined items are shown in later notes.

The table below is a reconciliation of the Council's total Comprehensive Income and Expenditure under UKGAAP to that reported under IFRS for the year ended 31 March 2010.

	UKGAAP	Effect of transition to IFRS						IFRS
	31 March 2010 £000s	Presentation Changes £000s	Employee Benefits £000s	Leases £000s	Assets £000s	Revenue Grants £000s	Capital Grants £000s	31 March 2010 £000s
Continuing operations								
Adult social care	149,714	236	(44)	0	0	347	202	150,455
Central services to the public	2,077	1,608	(4)	0	0	0	10	3,691
Education and children's services	217,120	2,396	(1,851)	0	0	1,672	11,195	230,532
Court Services	1,689	(1,689)	0	0	0	0	0	0
Cultural, environmental, regulatory and planning services	114,614	(17,073)	(48)	(93)	0	2,200	10,722	110,322
Highways and transport services	44,127	(22,475)	(5)	0	0	(2,518)	98	19,227
Housing Services	100,312	629	(33)	0	0	980	13,304	115,192
Corporate and democratic core	10,637	(93)	(4)	0	0	0	0	10,540
Non-distributed costs	38,637	0	0	0	0	0	9,591	48,228
Net cost of services	**678,927**	**(36,461)**	**(1,989)**	**(93)**	**0**	**2,681**	**45,122**	**688,187**
Other operating expenditure								
Levies not included in net cost of services	0	49,472	0	0	0	0	0	49,472
Payments to government housing capital receipts pool	1,200	0	0	0	0	0	0	1,200
Gain on disposal of fixed assets	(3,978)	0	0	0	839	0	0	(3,139)
Surplus on trading undertakings not included in net cost of services	(18,959)	18,959	0	0	0	0	0	0
Interest Payable and Similar Charges	43,378	(43,378)	0	0	0	0	0	0
Interest and Investment Income	(10,631)	10,631	0	0	0	0	0	0
Pensions interest cost and expected return on pension assets	35,200	(35,200)	0	0	0	0	0	0
Total other operating expenditure	**46,210**	**484**	**0**	**0**	**839**	**0**	**0**	**47,533**
Financing and investment income and expenditure	0	36,357	(39)	93	(10,684)	0	0	25,727
Income from Council Tax payers	(138,104)	138,104	0	0	0	0	0	0
General government grants	(131,345)	131,345	0	0	0	0	0	0
Distribution from non domestic rate pool	(273,032)	273,032	0	0	0	0	0	0
Taxation and non-specific grant income	0	(542,861)	0	0	0	0	(132,515)	(675,376)
(Surplus)/deficit on provision of services	**182,656**	**0**	**(2,028)**	**(0)**	**(9,845)**	**2,681**	**(87,393)**	**86,071**
Surplus on revaluation of property, plant and equipment	(20,114)	0	0	0	9,960	0	0	(10,154)
Surplus on revaluation of available for sale financial assets	(791)	0	0	0	0	0	0	(791)
Actuarial loss on pension assets/liabilities	622,500	0	0	0	0	0	0	622,500
Total comprehensive income and expenditure	**784,251**	**0**	**(2,028)**	**(0)**	**115**	**2,681**	**(87,393)**	**697,626**

The table below is a reconciliation of the Council's Net Worth reported under UKGAAP to that reported under IFRS at the 1 April 2009 transition date.

	UKGAAP	Effect of transition to IFRS						IFRS
	31 March 2009 £000s	Presentation Changes £000s	Employee Benefits £000s	Leases £000s	Assets £000s	Government Grants £000s	PFIs £000s	1 April 2009 £000s
Long-term assets								
Property, plant and equipment	0	2,274,163	0	128	(3,111)	0	0	2,271,180
Council dwellings	620,541	(620,541)	0	0	0	0	0	0
Other land and buildings	1,093,766	(1,093,766)	0	0	0	0	0	0
Vehicles, plant, furniture and equipment	3,453	(3,453)	0	0	0	0	0	0
Infrastructure assets	327,648	(327,648)	0	0	0	0	0	0
Community assets	16,621	(16,621)	0	0	0	0	0	0
Investment properties	301,045	0	0	500	1,201	0	0	302,746
Assets under construction	18,755	(18,755)	0	0	0	0	0	0
Surplus assets held for disposal	193,379	(193,379)	0	0	0	0	0	0
Intangible Fixed Assets	2,533	0	0	0	0	0	0	2,533
Long-term assets held for sale	0	0	0	0	0	0	0	0
Long-term investments in subsidiaries and associates	121,853	(5)	0	0	0	0	0	121,848
Other long-term investments	2,021	5	0	0	0	0	0	2,026
Long-term Debtors	103,464	(1,467)	0	0	0	0	3,920	105,917
Total long-term assets	2,805,079	(1,467)	0	628	(1,910)	0	3,920	2,806,250
Current assets								
Short-term investments	6,173	(6,152)	0	0	0	0	0	21
Inventories	8,950	0	0	0	0	0	0	8,950
Short-term debtors	254,775	1,467	0	0	0	0	(3,920)	252,322
Cash and cash equivalents	501	(10,751)	0	0	0	0	0	(10,250)
Short-term assets held for sale	0	0	0	0	1,963	0	0	1,963
Total current assets	270,399	(15,436)	0	0	1,963	0	(3,920)	253,006
Total assets	3,075,478	(16,903)	0	628	53	0	0	3,059,255
Current liabilities								
Bank overdraft	(16,903)	16,903	0	0	0	0	0	0
Short-term borrowing	(22,988)	0	0	0	0	0	0	(22,988)
Short-term creditors	(211,483)	0	(8,624)	0	0	28,048	1,950	(190,109)
Short-term provisions	0	(9,090)	0	0	0	0	0	(9,090)
Short-term deferred liabilities	0	(1,295)	0	(45)	0	0	(4,271)	(5,611)
Total current liabilities	(251,374)	6,518	(8,624)	(45)	0	28,048	(2,321)	(227,798)
Total assets less current liabilities	2,824,104	(10,385)	(8,624)	583	53	28,048	(2,321)	2,831,458
Long-term liabilities								
Long-term creditors	0	0	0	0	0	0	(1,950)	(1,950)
Long-term provisions	(20,243)	9,090	0	0	0	0	0	(11,153)
Long-term borrowing	(673,691)	0	0	0	0	0	0	(673,691)
Long-term deferred liabilities	(157,903)	1,295	0	(557)	0	0	4,271	(152,894)
Government grants deferred	(324,972)	0	0	0	0	324,972	0	0
Grants and contributions unapplied	(49,225)	0	0	0	0	49,225	0	0
Capital grants receipts in advance	0	0	0	0	0	(1,212)	0	(1,212)
Donated assets account	0	0	0	0	0	0	0	0
Donated inventories account	0	0	0	0	0	0	0	0
Deferred capital receipts	(411)	411	0	0	0	0	0	0
Pensions liability	(398,900)	0	0	0	0	0	0	(398,900)
Total long-term liabilities	(1,625,345)	10,796	0	(557)	0	372,985	2,321	(1,239,800)
Total assets less liabilities	1,198,759	411	(8,624)	26	53	401,033	0	1,591,658
Financed by:								
Capital adjustment account	1,063,162	(1,063,162)	0	0	0	0	0	0
Financial instruments adjustment account	(5,097)	5,097	0	0	0	0	0	0
Collection fund adjustment account	3,410	(3,410)	0	0	0	0	0	0
Revaluation reserve	292,253	(292,253)	0	0	0	0	0	0
Pensions reserve	(398,900)	398,900	0	0	0	0	0	0
Capital receipts reserve	7,808	(7,808)	0	0	0	0	0	0
Available for sale financial instruments reserve	942	(942)	0	0	0	0	0	0
Major repairs reserve	13,169	(13,169)	0	0	0	0	0	0
General fund reserve	26,263	(26,263)	0	0	0	0	0	0
Housing revenue account reserve	46,613	(46,613)	0	0	0	0	0	0
Home loans reserve	5,908	(5,908)	0	0	0	0	0	0
Other revenue reserves	143,228	(143,228)	0	0	0	0	0	0
Usable reserves	0	242,989	0	0	0	76,061	0	319,050
Unusable reserves	0	956,181	(8,624)	26	53	324,972	0	1,272,608
Total net worth	1,198,759	411	(8,624)	26	53	401,033	0	1,591,658

The table below is a reconciliation of the Council's Net Worth reported under UKGAAP to that reported under IFRS at the 31 March 2010.

	UKGAAP	Effect of transition to IFRS						IFRS
	31 March 2010 £000s	Presentation Changes £000s	Employee Benefits £000s	Leases £000s	Assets £000s	Government Grants £000s	PFIs £000s	31 March 2010 £000s
Long-term assets								
Property, plant and equipment	0	2,289,072	0	4,091	(2,298)	0	0	2,290,865
Council dwellings	569,264	(569,264)	0	0	0	0	0	0
Other land and buildings	1,128,403	(1,128,403)	0	0	0	0	0	0
Vehicles, plant, furniture and equipment	12,159	(12,159)	0	0	0	0	0	0
Infrastructure assets	337,734	(337,734)	0	0	0	0	0	0
Community assets	22,585	(22,585)	0	0	0	0	0	0
Investment Properties	311,036	0	0	500	1,200	0	302	313,038
Assets under construction	35,497	(35,497)	0	0	0	0	0	0
Surplus assets held for disposal	183,428	(183,428)	0	0	0	0	0	0
Intangible Fixed Assets	2,365	0	0	0	0	0	0	2,365
Long-term assets held for sale	0	0	0	0	0	0	0	0
Long-term investments in subsidiaries and associates	129,444	(5)	0	0	0	0	0	129,439
Other long-term investments	2,721	5	0	0	0	0	0	2,726
Long-term debtors	110,927	(116)	0	0	0	0	4,630	115,441
Total long-term assets	2,845,563	(114)	0	4,591	(1,098)	0	4,932	2,853,874
Current assets								
Short-term investments	17,185	(17,185)	0	0	0	0	0	0
Inventories	1,297	0	0	0	0	0	0	1,297
Short-term debtors	159,991	117	0	0	0	0	(4,630)	155,478
Cash and cash equivalents	501	(1,990)	0	0	0	0	0	(1,489)
Short-term assets held for sale	0	0	0	0	795	0	0	795
Total current assets	178,974	(19,058)	0	0	795	0	(4,630)	156,081
Total assets	3,024,537	(19,172)	0	4,591	(303)	0	302	3,009,955
Current liabilities								
Bank overdraft	(19,174)	19,174	0	0	0	0	0	0
Short-term borrowing	(1,508)	0	0	0	0	0	0	(1,508)
Short-term creditors	(187,646)	0	(6,598)	0	0	25,370	276	(168,598)
Short-term provisions	0	(2,970)	0	0	0	0	0	(2,970)
Short-term deferred liabilities	0	(2,268)	0	(677)	0	0	(6,006)	(8,951)
Total current liabilities	(208,328)	13,936	(6,598)	(677)	0	25,370	(5,730)	(182,027)
Total assets less current liabilities	2,816,209	(5,236)	(6,598)	3,914	(303)	25,370	(5,428)	2,827,928
Long-term liabilities								
Long-term creditors	0	0	0	0	0	0	(276)	(276)
Long-term provisions	(20,794)	2,971	0	0	0	0	0	(17,823)
Long-term borrowing	(704,947)	0	0	0	0	0	0	(704,947)
Long-term deferred liabilities	(177,193)	2,268	0	(3,890)	0	0	6,006	(172,809)
Government grants deferred	(392,484)	0	0	0	0	392,484	0	0
Grants and contributions unapplied	(68,734)	0	0	0	0	68,734	0	0
Capital grants receipts in advance	0	0	0	0	0	(841)	0	(841)
Donated assets account	0	0	0	0	0	0	0	0
Donated inventories account	0	0	0	0	0	0	0	0
Deferred capital receipts	(349)	349	0	0	0	0	0	0
Pensions liability	(1,037,200)	0	0	0	0	0	0	(1,037,200)
Total long-term liabilities	(2,401,701)	5,588	0	(3,890)	0	460,377	5,730	(1,933,896)
Total assets less liabilities	414,508	352	(6,598)	24	(303)	485,747	302	894,032
Financed by:								
Capital adjustment account	898,596	(898,596)	0	0	0	0	0	0
Financial instruments adjustment account	(6,221)	6,221	0	0	0	0	0	0
Collection fund adjustment account	2,662	(2,662)	0	0	0	0	0	0
Revaluation reserve	299,522	(299,522)	0	0	0	0	0	0
Pensions reserve	(1,037,200)	1,037,200	0	0	0	0	0	0
Capital receipts reserve	14,695	(14,695)	0	0	0	0	0	0
Available for sale financial instruments reserve	1,642	(1,642)	0	0	0	0	0	0
Major repairs reserve	1,946	(1,946)	0	0	0	0	0	0
General fund reserve	23,026	(23,026)	0	0	0	0	0	0
Housing revenue account reserve	48,989	(48,989)	0	0	0	0	0	0
Home loans reserve	5,827	(5,827)	0	0	0	0	0	0
Other revenue reserves	161,024	(161,024)	0	0	0	0	0	0
Usable reserves	0	255,508	0	0	0	93,263	0	348,771
Unusable reserves	0	159,352	(6,598)	24	(303)	392,484	302	545,261
Total net worth	414,508	352	(6,598)	24	(303)	485,747	302	894,032

Note 2. Exceptional Items

FRS 3 defines exceptional items as material items which derive from events or transactions that fall within the ordinary activities of the reporting entity and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view.

The following exceptional items occurred during the year:

Impairment of property plant and equipment of £268,245,000 (£164,874,000 in 2009/10) has been included within net cost of services.

	2009/10 £000s	2010/11 £000s
Adult social care	22	583
Education and children's services	12,843	41,967
Cultural, environmental, regulatory and planning services	2,213	7,064
Housing services	102,987	179,062
Highways and transport services	0	9,352
Non-distributed costs	46,748	20,663
Trading undertakings	61	9,554
Total	164,874	268,245

The impairment on housing services is due to the downward valuation of Council Houses following the reduction in the social housing discount. The social housing discount is applied to the open market value of council houses and is specified by the CLG. The percentage has increased from 52% in 2009/10 to 65% in 2010/11.

Within the Council's net cost of service expenditure for 2010-11 is costs incurred on the Voluntary Early Retirement and Severance scheme that was offered to non- schools based staff in response to the need to reduce the Council's expenditure by £109m in 2011-12 rising to £170m in 2011-12 following the Comprehensive Spending Review published in the autumn of 2010. The total expenditure for voluntary early retirements, voluntary severance and pay in lieu of notice costs in 2010-11is £38,952,000. The voluntary early retirement (VER) and voluntary severance (VS) costs were funded from a VER / VS reserve which was established from the release of other reserves that were no longer required or for which alternative funding could be found.

	2009/10 £000s	2010/11 £000s
Adult social care	0	6,472
Central Services	0	587
Education and children's services	0	12,848
Cultural, environmental, regulatory and planning services	0	7,994
Highways	0	893
Housing services	0	5,183
Corporate and democratic core	0	120
Trading undertakings	0	4,855
Total	0	38,952

Note 3. Accounting Concepts and Policies

The Statement of Accounts summarises the Council's transactions for the 2010-11 financial year and its position at the year end 31 March 2011. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 (The Code) and the Best Value Accounting Code of Practice 2010-11 (BVACOP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 21(2) of the 2003 Act.

As local authorities need to reflect statutory conditions, accounting standards are amended for specific statutory adjustments so that the Council's accounts present a true and fair view of the financial position and transactions of the authority. All accounting policies are disclosed where they are material.

The accounting convention adopted in these accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1. Qualitative Characteristics of Financial Statements

1.1 Relevance

The accounts have been prepared with the objective of providing information about the Council's financial performance and position that is useful for assessing the stewardship of public funds and for making financial decisions.

1.2 Reliability

The financial information is reliable as it has been prepared so as to reflect the reality or substance of the transaction, is free from deliberate or systematic bias, is free from material error and has been prudently prepared.

1.3 Comparability

In addition to complying with the Code the accounts also comply with the Best Value Accounting Code of Practice (BVACOP). This code establishes proper practice in relation to consistent financial reporting below statement of accounts level and aids comparability with other local authorities.

1.4 Understandability

These accounts are based on accounting concepts and terminology which require reasonable knowledge of accounting and local government. Every effort has been made

to use plain language and where technical terms are unavoidable they have been explained in the glossary contained within the accounts.

1.5 Materiality

The concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not effect the interpretation of the accounts.

2. Underlying Assumptions

2.1 Accruals Basis

The financial statements, other than the cash flow, are prepared on an accruals basis. Income and expenditure is recognised in the accounts in the period in which it is earned or incurred not as the cash is received or paid.

2.2 Going Concern

The accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future.

3. Accounting Policies

3.1 Property, Plant and Equipment (PPE) (formerly called Tangible Fixed Assets)

Property, Plant and Equipment assets have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis (e.g. land and buildings).

Community and voluntary controlled schools are shown on the Council's balance sheet. Academies, foundation and voluntary aided schools are not shown on the balance sheet.

Expenditure on the acquisition, creation and enhancement of property, plant and equipment has been capitalised on an accruals basis provided that it yields benefit to the Council and the services it provides for more than one financial year. Expenditure on maintenance is charged to revenue as it is incurred.

Certain capital expenditure is classed as non-enhancing capital expenditure as it does not add to the value of an asset. Fees, expenditure below £10,000 and 65% of the value of expenditure on council dwellings have been classed as non-enhancing expenditure. This percentage is the amount by which the open market value of council dwellings is reduced to give a balance sheet value of 35% (known as the social housing discount). This percentage is determined by the Department for Communities and Local

Government (CLG). In addition all property, plant and equipment, where expenditure in excess of £500,000 has been incurred during 2010-11, have been considered by the Council's Valuers who have quantified the amount of non-enhancing capital expenditure.

Property, plant and equipment are initially shown on the Balance Sheet at cost, comprising the purchase price, all expenditure that is directly attributable to bringing the asset into working condition for its intended use and the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. The assets are then revalued using methods of valuation on the basis recommended by CIPFA and in accordance with the guidance notes issued by the Royal Institution of Chartered Surveyors (RICS).

Land and buildings and other operational assets are valued at fair value. Where sufficient market evidence is not available, for example schools and leisure centres, fair value is estimated at depreciated replacement cost, using the modern equivalent asset method. Short life assets, such as vehicles, are held at depreciated historical cost as a proxy for current value on the grounds of materiality.

Council dwellings are valued, in accordance with CLG guidance, at open market value less a specified notified percentage, known as the social housing discount.

Community assets and infrastructure are valued at historical cost net of depreciation. Assets classed as heritage assets (e.g. art collections, civic regalia) are currently shown on the balance sheet at a nominal amount. FRS30 relating to heritage assets will be adopted in 2011-12 which will result in heritage assets being shown at current valuation.

Assets under construction are held at historical cost until brought into use.

Council dwellings are revalued annually. Other revaluations of property are planned at five yearly intervals unless there has been a material change in the value. Valuations are undertaken during the year with a valuation date of 1 April 2010. Any material change that occurs after the valuation date is taken account of in the balance sheet value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. In exceptional circumstances where the increase is reversing a previous impairment loss charged to the Surplus / Deficit on the Provision of Services on the same asset or where the increase is reversing a previous revaluation decrease charged to the Surplus / Deficit on the Provision of Services on the same asset the increase in valuation is credited to the Comprehensive Income and Expenditure Statement.

Where decreases in value are identified and there is a balance of revaluation gains in the Revaluation Reserve relating to the asset, the value of the asset is written down against that balance (up to the amount of the accumulated gains). Where there is no or insufficient balance in the Revaluation Reserve the value of the asset is written down

against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where revaluation gains or losses are credited or charged to the Comprehensive Income and Expenditure Statement they are reversed in the Movement of Reserves Statement to the Capital Adjustment Account.

The Revaluation Reserve contains gains recognised since 1 April 2007 only, the date of its formal implementation. Revaluation gains arising before that date are included in the Capital Adjustment Account.

3.2 Depreciation on Property, Plant and Equipment

Depreciation has been calculated using a straight-line method (i.e. apportioned equally over each year of the life of the asset) for all assets unless that depreciation is immaterial. The estimated useful life of properties is determined by a qualified valuer. Land and assets not yet available for use (assets under construction) are not depreciated. Each component of property, plant and equipment that is considered to be significant in relation to the total cost of the asset is depreciated separately. Depreciation is charged to the service with a corresponding reduction in the value of the asset. The depreciation charge is reversed in the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account. Residual values, useful lives and depreciation methods are reviewed at each financial year end.

Depreciation has been charged to the HRA. This depreciation is subsequently reversed out and replaced by statutory amounts in the calculation of the HRA balance in accordance with the housing subsidy determinations.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been charged on their historical cost being transferred from the Revaluation Reserve to the Capital Adjustment Account.

3.3 Derecognition of Property, Plant and Equipment

An item of property, plant or equipment is derecognised by disposal or when no future economic benefit or service potential is expected from its use.

The carrying amount of a replaced or restored part of an asset is derecognised with the carrying amount of the new component being recognised.

When an asset is disposed of the carrying amount of the asset in the Balance Sheet is written off to Other Operating Expenditure within the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Sale proceeds from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal.

Any revaluation gains on the Revaluation Reserve, for assets disposed of or decommissioned, are transferred to the Capital Adjustment Account.
Income from asset disposals in excess of £10,000 is classed as capital receipts. A proportion of receipts relating to HRA disposals (75% of capital receipts in relation to council dwellings and 50% of capital receipts in relation to housing land) net of costs relating to the disposal, previous costs in improving housing land, and for non-right to buy receipts, the Council's available capital allowance (the amount of the Council's past or planned expenditure on affordable housing and regeneration projects) is payable to the Government. The balance of capital receipts is credited to the Capital Receipts Reserve and used to fund new capital expenditure or repay debt.

The written off value of disposals is reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

3.4 Private Finance Initiatives (PFIs) and Similar Contracts

PFI and similar contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided under the contract and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council holds the Property, Plant and Equipment used under the contracts on its Balance Sheet.

The original recognition of these assets was matched by the recognition of a deferred liability for amounts due to the operator to pay for the assets. For some PFI schemes the liability was written down by an initial capital contribution. This capital contribution was either in the form of a cash contribution or assets transferred to the contractor.

Property, Plant and Equipment, recognised on the Balance Sheet, is revalued, depreciated and impaired in the same way as other property, plant and equipment owned by the Council.

The amounts payable to the operator each year are analysed as follows:

- Value of the service received (including facilities management) during the year – debited to the relevant service line in the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement..
- Interest cost based on the outstanding deferred liability – debited to the Financing and Investment Income and Expenditure line in the Surplus / Deficit on the Provision of Services.
- Payment towards liability – debited to the deferred liability on the Balance Sheet thus reducing the liability. For non-HRA contracts this reduction in the charge in the Surplus / Deficit on the Provision of Services is replaced by an equivalent amount of MRP in the Movement in Reserves Statement. For HRA contracts this reduction in unitary charge is reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

- Lifecycle replacement costs – posted to the Balance Sheet as a prepayment and then included as additions to Property, Plant and Equipment when the works are carried out.

Where lifecycle costs can be identified as capital in nature they have been recognised as capital expenditure. This expenditure relates to enhancements or replacement of assets.

3.5 Investment Properties

Investment Properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to provide services by the Council.

Investment Properties are initially measured at cost. After initial recognition they are measured at fair value. The fair value reflects market conditions at the balance sheet date. A gain or loss arising from a change in the fair value of investment property is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

An investment property under construction is measured at fair value once the Council is able to measure reliably the fair value.

Investment Properties are not depreciated but are revalued annually according to market conditions at year end.

An investment property is derecognised on disposal. Gains or losses arising from the disposal are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Revaluation and disposal gains and losses are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and sale proceeds over £10,000 to the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to the Financing and Investment income line in the Other Comprehensive Income and Expenditure Statement.

3.6 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. It is controlled by the Council as a result of past events and future economic or service benefits flow to the Council from the intangible asset. The most common type of intangible asset is computer software licences.

Intangible assets are carried at cost less accumulated depreciation and any impairment. The intangible asset is amortised over its estimated useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. This amortisation is reversed in the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

An intangible asset is derecognised on disposal. Gains or losses arising from the disposal are recognised in the Surplus / Deficit on the Provision of Services.

3.7 Impairment

Assets are reviewed for impairment at the end of each reporting period. Examples of impairment include: a significant reduction in a specific assets value and evidence of physical damage (e.g. fire damage)

The amount of impairment is charged to the Revaluation Reserve to the extent that the impairment does not exceed the amount in the Revaluation Reserve for the same asset. Thereafter the impairment is charged to the Surplus / Deficit on the Provision of Services.

This charge is reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

3.8 Provision for Redemption of Debt

The Council is required to make provision for the repayment of an element of the accumulated General Fund capital expenditure each year through a revenue charge, in accordance with the Minimum Revenue Provision (MRP) requirements. Regulations have replaced the detailed formula for calculating MRP with a requirement to be prudent. The MRP policy (which details the basis of the provision) is agreed by the Council prior to the start of the financial year. The MRP policy is detailed within the Treasury Management Strategy.

For all non-HRA capital expenditure funded by supported borrowing (the costs of which are funded by resources provided by the Government), the Council's policy is to adopt existing practice, the regulatory method (4% of capital financing requirements) as this is considered to be the most appropriate method.

For all non-HRA unsupported borrowing MRP will be calculated using the estimated life of the asset. Dependant on the nature of the capital expenditure, a straight line (equal amount of MRP over the life of the asset) or annuity method (equal amount of MRP plus

interest over the life of the asset) is used to link MRP to the future flow of benefits from the asset.
MRP will start in the year after the capital expenditure is incurred or in the case of new assets, in the year following the asset coming into use.

MRP will be provided for non-HRA PFI related assets on the Council's Balance Sheet. This will equate to the amount of PFI unitary charge now being charged against the deferred liability on the Balance Sheet.
MRP will be provided for assets held under finance leases (including embedded leases) where the Council is the lessee. This will equate to the amount of the lease payment now bring charged against the deferred liability on the Balance Sheet.

There is no MRP charge to the HRA.

3.9 Revenue Expenditure Funded From Capital under Statute

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset (formerly called fixed assets) on the Balance Sheet. These are generally grants and expenditure on property not owned by the Council. Expenditure is charged to the Surplus/ Deficit on the Provision of Services as the expenditure is incurred. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

Details of the accounting policy relating to grants and external contribution funding of REFCUS expenditure is shown in paragraph 3.15d.

3.10 Non Current Assets held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than its continued use it is reclassified as an asset held for sale. Before an asset can be classed as held for sale it must be available for immediate sale in its present condition, the sale must be highly probable, the asset must be actively marketed and the sale should be expected to be completed within one year of the date of classification. In situations where it is not necessary to carry out active marketing, for example because the Council is able to identify prospective purchasers willing to pay a reasonable price without marketing (such as housing stock transfers) or because a buyer initiates the transaction (such as right to buy sales), this test is not applicable. Where events or circumstances extend the period beyond one year and there is sufficient evidence that the Council remains committed to the plan to sell the asset they are classed as long term assets held for sale.

The held for sale asset is carried at the lower of the carrying amount and the fair value less costs to sell. Where this results in a loss in value this loss is posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Once an asset is classed as held for sale it is no longer depreciated.

If assets no longer meet the classification as assets held for sale they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classed as held for sale) and their recoverable amount at the date of the decision not to sell.

3.11 Accruals of Income and Expenditure

The Council's accounts are maintained on an accruals basis in accordance with the Code of Practice. Expenditure is charged to the account in the period in which goods or services are received; similarly, income is credited in the period the consideration is earned. The payment or receipt of cash does not determine the period of account.

3.12 Inventories (formerly called Stock) and Long Term Contracts.

Inventory items are recorded as expenditure when they are consumed. Where there is a time difference between the date supplies are received and their consumption they are shown on the Balance Sheet as inventory. Inventories are valued at the lower of cost or net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus / Deficit on the Provision of Services with the value of the works or services provided under the contract during the financial year.

3.13 Cash and Cash Equivalents

Cash and cash equivalents is represented by cash in hand, deposits with financial institutions repayable without penalty on notice of not more than 24 hours and investments whose maturity date is three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement cash and cash equivalents are shown net of bank overdrafts that form an integral part of cash management.

3.14 Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits but where the timing of the transfer is uncertain. Examples include a legal case that could result in a payment of compensation.

Provision is made for debts that are not considered to be collectable – referred to as a bad debt provision. This provision is calculated based on experience of previous years' collectability of differing type of debt and applied to the amount of outstanding debt.

Contributions to provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year the Council becomes aware of the obligation based on the best estimate of the likely settlement. When payments are made they are charged to the provision. Estimated settlements are reviewed at the end of each financial year and where it becomes likely that a transfer of economic benefits will not be required the contribution to the provision is reversed and credited back to the service line.

Provisions are classed as either short or long term dependant on the likely date of settlement.

3.15 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and external contributions are recognised as income when there is reasonable assurance that the Council will comply with the conditions attached to the payment and the monies will be received. Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until the conditions have been met. Conditions are stipulations that must be satisfied or the grant or contribution must be returned. Monies advanced as grants and contributions for which conditions have not been met are carried in the Balance Sheet as receipts in advance.

a. Revenue Grants and Contributions

Where conditions have been met revenue grants and contributions are credited to the relevant service line for specific grants and the Taxation and Non Specific Grant Income line for grants that cover general expenditure (e.g. Revenue Support Grant, Area Based Grant and PFI Grants). When the expenditure relating to specific grants has not been incurred the Council has elected to make a contribution equivalent to the unspent amount of grant to an earmarked reserve. This reserve will be released in future financial years when the expenditure to which the grant relates is incurred.

b. Area Based Grant (ABG).

ABG is a non-ringfenced general grant; no conditions on its use are imposed as part of the grant determination ensuring full local control over how the funding can be used. Its use is not restricted to supporting the achievement of Local Area Agreement (LAA) targets.

c. Capital Grants and Contributions

Where conditions have been met capital grants and contributions are credited to Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement. The balance of the grant or contribution that has not been used to finance expenditure is transferred to the Capital Grants Unapplied Account via the Movement in Reserves Statement. The amount of the grant or contribution that has been used to finance expenditure is transferred to the Capital Adjustment Account via

the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account when they have been applied to fund capital expenditure.

d. Grants and Contributions attributable to Revenue Expenditure Funded from Capital under Statute (REFCUS)

Where conditions have been met these grants and contributions are credited to the relevant service line in the Comprehensive Income and Expenditure Statement. The balance of the grant or contribution that has not been used to finance expenditure is transferred to the REFCUS Grants Unapplied Account via the Movement in Reserves Statement. The amount of the grant or contribution that has been used to finance expenditure is transferred to the Capital Adjustment Account via the Movement in Reserves Statement. Amounts in the REFCUS Grants Unapplied Account are transferred to the Capital Adjustment Account when they have been applied to fund expenditure.

3.16 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service in that year. The reserve is then appropriated back into the Movement in Reserves Statement so that there is no net charge for the expenditure on the General Fund balance.

Certain reserves are kept to manage the accounting treatment for Property, Plant and Equipment and retirement benefits and do not represent usable resources for the Council. These are shown as unusable reserves in the Movement in Reserves Statement and Balance Sheet.

3.17 Overheads and Support Services

The costs of overheads and support services are recharged to all users that benefit from the service in accordance with the costing principals of the BVACOP. These costs have been charged on the basis of staff time, staff numbers and units of output. The cost of corporate and democratic core has been separately identified and accounted for in a separate objective heading within the Comprehensive Income and Expenditure Statement as part of the net cost of services.

3.18 VAT

VAT is only included in expenditure, either revenue or capital, to the extent that it is not recoverable from HM Revenues and Customs.

3.19 Leases

Leases are classified as either finance or operating leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or lessee. Whether the lease is a finance lease or an operating lease depends on the substance of the transaction rather than the contract. Leases are classed as finance leases where the terms of the lease transfer all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Land and building elements of a lease are considered separately for the purpose of lease classification.

Arrangements that do not have the legal status of a lease but convey the right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependant on the use of specific asset. This is referred to as an embedded lease.

Finance Leases

Lessee
Property, Plant and Equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value (or the present value of the minimum lease payments if lower). The asset recognised is matched by a deferred liability for the obligation to pay the lessor.

Lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the deferred liability and a finance charge which is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

These property, plant and equipment recognised are subject to depreciation. The MRP on these assets equates to the amount of the lease payment that is applied to write down the deferred liability.

The deferred liabilities are classed as either short or long term in line with the lease repayments.

Operating Leases

Lessee
Leasing payments for operating leases are charged to revenue on a straight-line basis over the term of the lease and are shown within service expenditure in the Comprehensive Income and Expenditure Statement.

Lessor
Rental income from operating leases is recognised on a straight-line basis over the period of the lease and is shown in the Other Operating Expenditure line in the

Comprehensive Income and Expenditure Statement. Assets held for use as operating leases are recorded as assets in the Council's Balance Sheet.

3.20 Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave, flexi time leave and paid sick leave for current employees. They are recognised as an expense for services in the year in which employees undertake the service for the Council. An accrual is made for the cost of holiday entitlement (including flexi time leave), earned by employees but not taken before the year end, which employees can carry forward into the next financial year. The accrual is made at the wages and salary rates applicable in the following financial year, being the period on which the employee takes the benefit and includes employer national insurance and pension contributions.

The accrual is charged to the Surplus / Deficit on the Provision of Services but then reversed through the Movement in Reserves Statement to the Short Term Accumulated Absences Account so that holiday absences are charged against Council Tax or Housing rents in the financial year in which the holiday absence occurs.

3.21 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary severance and are shown on an accruals basis in the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of the officer or group of officers or making an offer to encourage voluntary severance.

3.22 Post Employment Benefits

a. Teachers' Pension Scheme

The payment of statutory pensions to former teachers is administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). Contributions from teachers together with the employer's contribution are paid by the Council. The arrangements for this scheme mean that liabilities for benefits cannot be identified to the Council. The scheme is therefore accounted for as a defined contribution scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Education and Children's Services line within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable in the year.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability.

b. Local Government Pension Scheme

The Council pays an employer's contribution into the Greater Manchester Pension Fund, which is a fully funded defined benefits scheme administered by Tameside Metropolitan Borough Council from whom an Annual Report is available.

The amount chargeable to the General Fund and HRA for providing pensions to employees is the amount payable by the Council to the pension fund. Where this amount does not match the amount charged to the Comprehensive Income and Expenditure Statement for the year (i.e. the amount of pension earned by employees) the difference is taken to the Pensions Reserve. This item is shown as a reconciling Item within the Movement in Reserves Statement.
The following amounts are charged to the Comprehensive Income and Expenditure Statement.

The current service cost (amount of pension earned by Council employees in the year) is charged to the net cost of services. Past services costs (costs relating to employees service in previous years identified in the current year) are shown as non-distributed costs (costs that are not attributable to a particular service) within the net cost of services as are gains and losses on settlements and curtailments (actions that reduce the Council's responsibility for pensions or the amount of pension due). The net of interest cost and the expected return on assets are included within Financing and Investment Income and Expenditure. Unfunded benefits (such as the award of additional years of service) are accrued for in the pension liability.

Actuarial gains and losses arising from any new valuation of the pension scheme and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised within Total Comprehensive Income and Expenditure.

Financial Instruments

3.23 Financial Assets

Financial Assets ((e.g. investments (excluding these with entities included in the Council's Group Account) and debtors)) are classified into three types – loans and receivables (assets that have fixed or determinable payments but are not quoted in an active market), available for sale assets (assets that have a quoted market price and / or do not have fixed or determined payments) and unquoted equity investments at cost less impairment.

a. Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost (when the interest received is spread evenly over the life of the loan). Credits to the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement for interest received are based on the balance sheet amount of the asset multiplied by the effective interest rate for the financial instrument. For most of the loans that the Council has made that means the amount shown in the Balance Sheet is the outstanding principal receivable plus accrued interest. The amount of interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year per the loan agreement.

The Council has made a number of loans to individuals at less than market rates of interest (these are known as soft loans). The amount of interest forgone is charged to the Comprehensive Income and Expenditure Statement (debited to the appropriate service line) and the outstanding principal is reduced on the Balance Sheet. This represents the present value of the interest that will be foregone over the life of the loan agreement. Statutory provisions require that the impact of the soft loans on the General Fund balance is the interest receivable in the year, so the amount of foregone interest charged is managed by a transfer from the Financial Instruments Adjustment Account to the Movement in Reserves Statement.

b. Available for Sale Assets

Available for sale assets are initially measured and carried at fair value. Where there are no fixed or determinable payments (e.g. dividends rather than a fixed amount of interest due) income is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement when it becomes receivable (e.g. the dividend is declared) by the Council.

Instruments that have a quoted market price are shown at market price.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain or loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses are incurred. Any gain or loss on the disposal of the asset are credited / debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with any accumulated gains or losses previously recognised in the Available for Sale Reserve.

c. Equity Instruments carried at cost less impairment.

If the application of relevant valuation techniques produces a significant range of reasonable fair estimates such that no valuation would be reliable, the instrument is exempted from fair value measurement and is carried at cost less impairment.

3.24 Embedded Derivatives

The Council has given equity mortgages to individuals to assist with the purchase of properties. The repayments of these are based on a proportion of the value of the property in an agreed number of years. This type of loan is classed as an embedded derivative as the amount of repayment is linked to future property values. When these mortgages are granted long term debtors and deferred capital receipts are written onto the balance sheet. At the end of each financial year the long term debtors and deferred capital receipt are adjusted in line with property values.

3.25 Financial Liabilities

Financial liabilities (e.g. borrowings and creditors) are initially measured at fair value and carried at their amortised cost.

Charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. For many of the borrowings that the Council has this means that the amount shown in the Balance Sheet is the outstanding principal repayable plus accrued interest and the amount charged to the Comprehensive Income and Expenditure Statement is the amount payable per the loan agreement.

For Lender Option Borrower Option (LOBO) loans the effective interest rate has been calculated over the life of the loan. This is an average and differs from the amounts actually paid in the year. The difference between the calculated interest charge and interest paid has been adjusted in the carrying amount of the loan and the amount charged in the Comprehensive Income and Expenditure Statement is the effective interest rate for the life of the loan rather than the amount payable per the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However if the repurchase takes place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts (amounts paid or received on the rescheduling of a loan) have been charged to the Comprehensive Income and Expenditure Statement regulations allow the impact of premiums on the General Fund balance to be spread over the longer of the outstanding period of the replaced loan or the period of the replacement loan or any other shorter period that the Council wishes to choose. Discounts are required to be credited to revenue over a maximum period equal to the outstanding term of the replaced loan or ten years (if shorter).

However, the HRA item 8 and subsidy determinations require that the HRA share of premiums and discounts is written off over the unexpired period of the loan replaced, or ten years, whichever is the less.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement of Reserves Statement.

3.26 Contingent Assets and Liabilities

Contingent assets are sums due from individuals or organisations that may arise in future but the amount due cannot be determined in advance. These are not recognised in the accounts. They are disclosed as a note to the accounts as there is a possible receipt, which may result in a transfer of economic benefits.

Contingent liabilities are sums due to individuals or organisations that may arise in future but the amount due cannot be determined in advance. These are not accrued for in the accounts. They are disclosed as a note to the accounts as there is a possible obligation, which may result in a transfer of economic benefits.

3.27 Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in estimation techniques are accounted for prospectively (i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment).

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period.

3.28 Events after the Balance Sheet Date

Events after the balance sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Where these provide evidence of conditions in existence at the balance sheet date, the amounts recognised in the accounts are adjusted (e.g. settlement of a court case that confirms the amount of obligation at the balance sheet date). Where these are indicative of conditions that arose after the balance sheet date the amounts in the accounts are not adjusted (e.g. significant decline in market investments after 31

March). This is known as a non-adjusting event and is disclosed as a note to the accounts.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

3.29 Interests in Companies and Other Entities

The Council has material interests in companies and other entities and therefore group accounts have been prepared for the Council and its interest in its subsidiaries, associates and joint ventures. Inclusion in the Council group is dependent upon the extent of the Council's interest and power to influence an entity. The determining factor for assessing the extent of interest and power to influence is either through ownership of an entity, a shareholding in an entity or representation on an entity's board of directors. An assessment of all the Council's interests has been carried out during the year, in accordance with the Code of Practice, to determine the relationships that exist and whether they should be included in the Council's group accounts. In the Council's single-entity accounts the Council's interest in companies and other entities are recorded as financial assets at cost less any impairment. Any impairment gains or losses are recognised in the Comprehensive Income and Expenditure Statement.

Note 4. Critical Accounting Judgements

In applying the accounting policies set out in Note 3 the Council has to make certain judgements about complex transaction or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

4.1 PFI and Similar Arrangements

The Council is deemed to control the services provided its PFI arrangements and also to control the residual value of the assets at the end of the contract. The accounting policy for PFIs and similar contracts has been applied to these arrangements and the assets valued at £158,148,000 are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

The operators' models were examined to identify the service element of the unitary charge. Where that charge couldn't be clearly separated the relevant costs were obtained from the models and a margin was applied to the costs to provide an amount for the service costs. The margin used was based on advice received from expert external advisors. The service element of the unitary charge is inflated annually by an agreed indicator (e.g. RPI) as per the contract.

The implicit interest rate (IIR) was calculated by discounting the non-service element of the unitary charge at a rate that brings it back to the fair value of the asset. The fair value of the asset is taken as the construction or refurbishment costs of the scheme. The IIR calculated is compared to the closing swap rate in the financial model to check the reasonableness of the assumptions made.

4.2 Classification of Leases

The Council has undertaken an analysis to classify the leases it holds, both as a lessee and lessor, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and assets valued at £500,000 are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

4.3 Arrangements Containing a Lease

The Council is deemed to control assets that fall within contractual and other arrangements which involve the provision of a service using specific underlying assets and which therefore are considered to contain a lease. The accounting treatment for leases has been applied to these arrangements to determine whether the lease contained within them is a finance or an operating lease and as a result assets valued at £4,715,000 are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

4.4 Investment Properties

The Council has reviewed all assets previously classed as investment property in accordance with the accounting policy and as a result assets valued at £1,136,000 have been reclassified as Property, Plant and Equipment.

4.5 Valuation of Property Plant and Equipment

The Council's fixed assets are valued on the balance sheet in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS):

- plant and machinery is included in the valuations of buildings when it is an integral part of the building

- properties classified as operational, excluding council dwellings, were valued on the basis of net realisable value in existing use or, where a market did not exist, on the basis of depreciated replacement cost

- council dwellings were valued in accordance with Department for Communities and Local Government guidance at open market value less a specified, notified percentage known as the social housing discount

- community assets and infrastructure have been valued at historical cost net of depreciation

- properties classified as non-operational have been valued on the basis of market value.

All assets, with the exception of those valued at historical cost net of depreciation, are revalued as part of a five year rolling programme. Accordingly, at least 20% of the above valuations have been reviewed by Jacobs and District Valuers, external valuers commissioned by the Council and M. Robertson RICS, valuer employed by the Council. All assets reviewed had a valuation date of 1 April 2010

Material changes after the valuation date have been accounted for.

Note 5. Key Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty actual results could be different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a risk of adjustment in the following financial year are:

5.1 Revaluation of Property, Plant and Equipment

Property, plant and equipment (with the exception of infrastructure, community assets, assets under construction and small value items of vehicles, plant and equipment) are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset. Advice has been provided by valuers employed by the Council. If the actual results differ from the assumptions the value of PPE will be over or understated. This would be adjusted when the assets were next revalued.

5.2 Depreciation of Property, Plant and Equipment.

Assets are depreciated based on useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to maintain the expenditure on repairs and maintenance resulting in uncertainty in the useful lives assigned to assets by the Valuers. If the useful life of assets is reduced depreciation increases and the carrying amount of assets falls. It is estimated that the annual depreciation charge would increase by £2,501,000 for every year the useful lives are reduced.

The District Valuer has provided percentages, based on their professional judgement, for various components of council houses and flats. These percentages have been applied to the valuations of these houses and flats to obtain valuations of the components to which useful lives are applied to calculate the depreciation on council dwellings. If these percentages were amended the value of the council dwellings and the related depreciation would be over or under stated.

5.3 Provisions

The Council has made various provisions in relation to compensation claims made to the Council. These provisions are based on the number of claims outstanding at the end of the financial year, the average settlement amount for each type of claim and the likelihood of each type of claim being settled. It is not certain that the precedents set in previous years will be applicable to the current outstanding claims. An increase of 1% in the estimate average settlement would have the effect of adding £146,000 to the provision required. An increase of 1% in the likelihood of each claim being settled would have the effect of adding £801,000 to the provision.

5.4 Arrears

At 31 March 2011 the Council had a balance of sundry debtors of £153,533,000, housing rents of £11,342,000 and council tax debtors of £39,238,000. A review of these outstanding balances suggests that an impairment of doubtful debts of £64,219,000 (£25,491,000 sundry debtors, £7,783,000 housing rents and £30,945,000 council tax) was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate by 1% this would require an additional £966,000 (£503,000 sundry debtors, £108,000 housing rents and £355,000 council tax) to be set aside

5.5 Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions, A firm of actuaries are engaged by the Pension Fund to provide expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £192m, a one year increase in member life expectancy would result in a £137m increase in the pension liability a 0.5% increase in the salary increase rate would result in a £39m increase in the pension liability and a 0.5% increase in the assumed pension rate increase would result in a £155m increase in the pension liability.

5.6 Employee Benefits Accrual

At 31 March 2010 an accrual for employee benefits (annual and flexi time leave) was calculated at an average of 0.58 day per Council employee excluding teachers. As the Council's policy on the carry forward of annual leave has not changed since 2009-10 the same number of days per employee has been used to calculate the accrual for 31 March 2011. If the accrual had been based on 0.83 days the value of the accrual would have increased by £312,000.

Note 6. Impact of Accounting Changes Issued But Not Yet Adopted

Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the Council in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Council, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in the 2010/11 financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council are the collections of assets and artefacts either exhibited or stored in the Council's galleries and museums plus statues and civic regalia.

The art and museum collections are currently accounted for at a nominal value and classified as community assets within Property, Plant and Equipment in the Balance Sheet. Monuments are currently accounted for at depreciated historical cost and classified as community assets. The remainder of the heritage assets are not currently recognised in the financial statements as no information is available on the cost of the assets.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information).

The carrying value of heritage assets currently held in the Balance Sheet as Community Assets within Property, Plant and Equipment at 31 March 2011 is £716,000. The authority also holds information on the value of the art collections and civic regalia (for insurance purposes) and the value of these assets as at 31 March 2011 is £302 million. This increase in valuation will be recognised as a gain (of £301 million) in the revaluation reserve.

There is no depreciation charged on the heritage assets that are currently classified as community assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Council considers that the heritage assets held will have indeterminate lives and a high residual value; hence does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the Council's heritage assets.

Note 7. Adjustments Between Accounting and Funding Basis Under Regulations

This note details the adjustments that ara made to the totel comprehensive income and expenditure recognised by the Council in the year in eccordance with proper accounting practice to the resources that are specified by statutory provisions es being available to tha Council to meet future capital and revenue expenditure.

The tabla below shows the adjustments mede in 2009/10:

	Usaabla Reserves					Unusable Reserves	
	General Fund Balance (Including Earmarked Reserves) £000s	Housing Revenue Account (Including Earmarked Reserves) £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Major Repairs Reserve £000s	Capital Adjustment Account £000s	Other Unusable Reserves £000s
Reversal of items debited or credited to the comprehensiva income and expenditure statement:							
Depreciation (excluding HRA depreciation)	(42,391)	0	0	0	(13,741)	56,132	0
Amortisation of intangible essets	(348)	(234)	0	0	0	582	0
Excess of depreciation charged to HRA services over the major repairs allowance element of housing subsidy	0	(4,182)	0	0	4,182	0	0
Impairment/revaluetion losses charged to the comprehensive income and expenditure statement	(61,887)	(102,987)	0	0	0	164,874	0
Impairment transferred to revaluation reserva	0	0	0	0	0	(15)	15
Movemant in fair valua of investment property	10,684	0	0	0	0	(10,684)	0
Financing of capital expenditure on council dwellings	0	0	0	0	20,782	(20,782)	0
Capital grant and contributions	133,114	0	0	(20,208)	0	(112,906)	0
Revenue expenditure funded from capital under statute	(46,037)	(795)	0	0	0	46,832	0
Gein / (loss) on disposal of non current assets	2,628	745	(8,087)	0	0	3,936	778
Net ratirement benefits per IAS19	(15,020)	(780)	0	0	0	0	15,800
Reversal of private finance initiative charges to the HRA	0	3,268	0	0	0	(3,268)	0
Differences betwean statutory accounting and amounts recognised as income and expenditure in relation to finencial instruments	(1,748)	107	0	0	0	0	1,641
Amount by which council tax income and residual community charge adjustment included in tha comprehensive incoma and expenditura statement is differant from the amount taken to the General Fund in accordance with regulation	(748)	0	0	0	0	0	748
Total reversed items	(21,753)	(104,858)	(8,087)	(20,208)	11,223	124,701	18,982
Insertion of items not debited or credited to the comprehensive income and expenditure statement:							
Statutory provision for the rapayment of debt - minimum revenue provision	23,136	0	0	0	0	(23,136)	0
Statutory provision for the repayment of debt - finance lease liabilities	461	0	0	0	0	(461)	0
HRA capital receipts to housing central pool	(1,200)	0	1,200	0	0	0	0
Revenue contribution to finence capital	740	0	0	0	0	(740)	0
Premium and discounts charged to revenue	426	0	0	0	0	0	(426)
Principal repayment of ex-GMC debt	1,163	0	0	0	0	(1,163)	0
Total inserted items	24,726	0	1,200	0	0	(25,500)	(426)
Other adjustments:							
Transfer of revaluation reserve balanca on assets disposed of	0	0	0	0	0	(1,663)	2,187
Write down of long term debtors	0	0	0	0	0	281	0
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.	0	0	0	0	0	(11,449)	11,449
Transfer to Deferred Capital Receipts Reserve	(61)	0	0	0	0	0	61
Total adjustments	2,912	(104,858)	(6,887)	(20,208)	11,223	86,370	32,253

The table below shows the adjustments made in 2010/11:

	Useable Reserves					Unuseable Reserves	
	General Fund Balance (Including Earmarked Reserves)	Housing Revenue Account (Including Earmarked Reserves)	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Capital Adjustment Account	Other Unuseable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Reversal of items debited or credited to the comprehensive income and expenditure statement:							
Depreciation (excluding HRA depreciation)	(37,955)	0	0	0	(13,469)	51,424	0
Amortisation of intangible assets	(389)	(234)	0	0	0	623	0
The excess of depreciation charged to HRA services over the major repairs allowance element of housing subsidy	0	(3,801)	0	0	3,801	0	0
Impairment/revaluation losses charged to the comprehensive income and expenditure statement	(89,182)	(179,062)	0	0	0	268,244	0
Movement in market value of investment property	59,523	0	0	0	0	(59,523)	0
Movement in value of held for sale assets	0	0	0	0	0	0	0
Financing of capital expenditure on council dwellings	0	0	0	0	10,834	(10,834)	0
Non-Property related capital receipts transferred to the usable capital receipts reserve	149	0	(149)	0	0	0	0
Capital grants and contributions	63,492	7,172	0	58,266	0	(128,928)	0
Revenue expenditure funded from capital under statute	55,573	(654)	0	(62,491)	0	7,572	0
Gain / (loss) on disposal of non current assets	(58,320)	0	(13,344)	0	0	71,664	0
Net retirement benefits per IAS19	225,798	2,902	0	0	0	0	(228,700)
Reversal of private finance initiative charges to the HRA	0	(6,734)	0	0	0	6,734	0
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	(219)	0	0	0	0	0	218
Amount by which council tax income and residual community charge adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulation	1,191	0	0	0	0	0	(1,191)
Total reversed items	219,661	(180,411)	(13,493)	(4,225)	1,166	206,975	(229,673)
Insertion of items not debited or credited to the comprehensive income and expenditure statement:							
Statutory provision for the repayment of debt - minimum revenue provision	20,918	0	0	0	0	(20,918)	0
Statutory provision for the repayment of debt - finance lease liabilities	1,852	0	0	0	0	(1,852)	0
Statutory provision for the repayment of debt - private finance initiatives	2,099	0	0	0	0	(2,099)	0
HRA capital receipts to housing central pool	(1,226)	0	1,226	0	0	0	0
Employers contributions to pension schemes	0	0	0	0	0	0	0
Revenue contribution to finance capital	13,495	818	0	0	0	(14,313)	0
Housing Revenue Account balance	0	0	0	0	0	0	0
Premium and discounts charged to revenue	320	(894)	0	0	0	0	574
Principal repayment of ex-GMC debt	1,401	0	0	0	0	(1,401)	0
Total inserted items	38,859	(76)	1,226	0	0	(40,583)	574
Other adjustments:							
Transfer of revaluation reserve balance on assets disposed	0	0	0	0	0	(8,499)	8,499
Adjustment between capital adjustment account and revaluation reserve for depreciation that is related to the revaluation balance rather than historic cost	0	0	0	0	0	(6,635)	6,635
Write down of long term debtor	(101)	0	0	0	0	101	0
Transfer to Deferred Capitel Receipts Reserve	240	0	0	0	0	0	(240)
Total adjustments	258,659	(180,487)	(12,267)	(4,225)	1,166	151,359	(214,204)

Note 8 Segmental Reporting Analysis

The table below is a reconciliation of the 2010/11 internal management reports (monitoring and outturn) used by the Council's Executive to make decisions and the 2010/11 Comprehensive Income and Expenditure Statement.

Subjective Analysis	Chief Executives £000s	Children's Services £000s	Directorate for Adults £000s	Corporate Services £000s	Neighbourhood Services £000s	Housing Revenue Account £000s	Total £000s
Fees Charges and Other Service Income	(56,358)	(57,637)	(58,568)	(47,369)	(86,033)	(65,709)	**(371,674)**
Government Grants	(21,371)	(396,342)	(14,040)	(301,343)	(6,041)	(21,569)	**(760,706)**
Total Income	**(77,729)**	**(453,979)**	**(72,608)**	**(348,712)**	**(92,074)**	**(87,278)**	**(1,132,380)**
Employee Expenses	77,612	121,135	70,295	42,484	86,220	4,669	**402,415**
Other Operating Expenses	95,146	474,082	186,472	335,703	127,125	78,064	**1,296,592**
Support Services Recharges	(20,932)	(328)	(18,822)	(17,520)	(39,857)	1,761	**(95,698)**
Total Operating Expenses	**151,826**	**594,889**	**237,945**	**360,667**	**173,488**	**84,494**	**1,603,309**
Cost of Services	**74,097**	**140,910**	**165,337**	**11,955**	**81,414**	**(2,784)**	**470,929**

Reconciliation to net cost of services in the Comprehensive Income and Expenditure Statement (CIES)

	£000s
Cost of services in service analysis	470,929
Add amounts not reported to management*	87,752
Remove amounts reported to management not included in net cost of services in CIES	(59,195)
Net cost of services in comprehensive income and expenditure statement	**499,488**

Reconciliation to subjective analysis	Service Analysis £000s	Not Reported to Management* £000s	Not Included in CIES Net Cost of Services £000s	Allocation of Recharges £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(371,674)	(18,039)	(145,722)	0	(535,433)	(224,111)	(759,544)
Interest and investment income	0	(138)	181	0	43	(24,807)	(24,764)
Income from council tax	0	0	0	0	0	(142,063)	(142,063)
Distribution from NNDR pool	0	0	0	0	0	(299,018)	(299,018)
Government grants and contributions	(760,706)	(134,296)	6,382	0	(888,620)	(201,370)	(1,089,990)
Total Income	**(1,132,380)**	**(152,473)**	**(139,159)**	0	**(1,424,010)**	**(891,369)**	**(2,315,379)**
Employee expenses	402,415	22,942	5,978	7,325	438,660	0	438,660
Other service expenses	1,296,592	11,332	137,000	(103,648)	1,341,276	19,379	1,360,655
Support Services Recharges	(95,698)	(625)	0	96,323	0	0	0
Depreciation, amortisation and impairment	0	185,496	(12,169)	0	173,327	0	173,327
Interest payments		0	(29,765)	0	(29,765)	49,261	19,496
Pension interest costs & expected return on pension assets	0	0	0	0	0	149,000	149,000
Precepts and levies		21,080	(21,080)	0	0	52,815	52,815
Payments to housing capital receipts pool	0	0	0	0	0	1,226	1,226
(Gain) or loss on disposal of non-current assets	0	0	0	0	0	71,746	71,746
Total operating expenses	**1,603,309**	**240,225**	**79,964**	**0**	**1,923,498**	**343,427**	**2,266,925**
Surplus or deficit in the provision of services	**470,929**	**87,752**	**(59,195)**	**0**	**499,488**	**(547,942)**	**(48,454)**

*Items not reported to management include depreciation, impairment and IAS19 pension adjustments.

The table below is a reconciliation of the 2009/10 internal management reports (monitoring and outturn) used by the Council's Executive to make decisions and the 2009/10 Comprehensive Income and Expenditure Statement.

Subjective Analysis	Chief Executives £000s	Children's Services £000s	Directorate for Adults £000s	Corporate Services £000s	Neighbourhood Services £000s	Housing Revenue Account £000s	Total £000s
Fees Charges and Other Service Income	(40,498)	(49,343)	(65,671)	(43,782)	(86,699)	(69,302)	(355,295)
Government Grants	(13,834)	(384,758)	(54,020)	(282,033)	(3,774)	(20,918)	(759,337)
Total Income	**(54,332)**	(434,101)	**(119,691)**	(325,815)	**(90,473)**	**(90,220)**	**(1,114,631)**
Employee Expenses	60,923	113,589	51,969	48,164	78,456	24,029	377,130
Other Operating Expenses	88,831	464,271	200,887	313,091	156,602	61,587	1,285,268
Support Services Recharges	(20,042)	361	520	(22,552)	(42,018)	2,227	(81,504)
Total Operating Expenses	129,712	578,220	253,377	338,703	193,040	87,843	**1,580,894**
Cost of Services	75,380	**144,119**	133,686	**12,888**	**102,567**	(2,377)	**466,263**

Reconciliation to net cost of services in the Comprehensive Income and Expenditure Statement (CIES)

	£000s
Cost of services in service analysis	466,263
Add amounts not reported to management*	49,062
Remove amounts reported to management not included in net cost of services in CIES	172,862
Net cost of services in comprehensive income and expenditure statement	**688,187**

Reconciliation to subjective analysis	Service Analysis £000s	Not Reported to Management* £000s	Not Included in CIES Net Cost of Services £000s	Allocation of Recharges £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(354,558)	18,999	95,720	(749)	(240,588)	(66,818)	(307,406)
Interest and investment income	(738)	(139)	178	0	(699)	(23,592)	(24,291)
Pension interest costs & expected return on pension assets	0	0	0	0	0	(87,300)	(87,300)
Income from council tax	0	0	0	0	0	(138,104)	(138,104)
Distribution from NNDR pool	0	0	0	0	0	(273,032)	(273,032)
Government grants and contributions	(759,335)	(105,298)	(9,688)	0	(874,321)	(131,345)	(1,005,667)
(Gain) or loss on disposal of non-current assets	0	0	0	0	0	(3,978)	(3,978)
IFRS income adjustments	0	35,429	0	0	35,429	(110,589)	(75,160)
Total Income	**(1,114,631)**	(51,009)	86,210	(749)	(1,080,179)	**(834,758)**	**(1,914,938)**
Employee expenses	377,130	(19,928)	1,234	6,275	364,712	0	364,712
Other service expenses	1,242,937	13,402	5,141	(87,030)	1,174,450	60,821	1,235,271
Support Services Recharges	(81,504)	0	0	81,504	0	0	0
Depreciation, amortisation and impairment	0	149,778	46,111	0	195,887	0	195,887
Interest payments	22,675	2,644	(15,307)	0	10,011	43,377	53,388
Pension interest costs & expected return on pension assets	0	0	0	0	0	122,500	122,500
Precepts and levies	19,656	0	49,472	0	69,128	0	69,128
Payments to housing capital receipts pool	0	0	0	0	0	1,200	1,200
IFRS expenditure adjustments	0	(45,823)	0	0	(45,823)	4,745	(41,078)
Total operating expenses	**1,580,894**	100,071	86,652	**749**	**1,768,366**	232,643	2,001,009
Surplus or deficit in the provision of services	466,263	49,062	172,862	**0**	**688,187**	(602,116)	86,071

*Items not reported to management include depreciation, impairment and IAS19 pension adjustments.

Note 9. Long-term Contracts

Undischarged obligations arising from PFI transactions as at 31 March 2011 were as follows:

Scheme	Payments: Liability Repayment (including lifecycle costs) £000s	Payments: Interest Charges £000s	Payments: Service Charges* £000s	Total £000s	Indexation	Contract Expiry	Scheme Details
Housing Energy Services Contract					GDP Deflator	2020	Energy Services Contract - provision and maintenance of energy services for a number of blocks of flats – service commenced in 1999/00. Total obligation as at start of contract of £10,196,000 will be met from Housing Subsidy and the Housing Revenue Account.
Payments within 1 year	154	154	49	357			
Payments within 2 to 5 years	630	628	201	1,459			
Payments within 6 to 10 years	651	650	208	1,509			
	1,435	1,432	458	3,325			
Temple School					RPI	2026	Temple School – design, build and maintenance of Temple Primary School – services commenced in 2001/02. Total obligation as at start of contract of £14,617,000 to be met from PFI Special Grant and Dedicated Schools Grant (DSG).
Payments within 1 year	60	319	236	615			
Payments within 2 to 5 years	391	1,203	1,005	2,599			
Payments within 6 to 10 years	970	1,208	1,404	3,582			
Payments within 11 to 15 years	1,825	580	1,588	3,993			
	3,246	3,310	4,233	10,789			
Plymouth Grove Housing					RPI	2033	Plymouth Grove – housing refurbishment, maintenance and estate management - services commenced in 2003/04. Total obligation as at start of contract of £145,785,000 to be met from Housing Subsidy and the Housing Revenue Account.
Payments within 1 year	923	1,492	2,328	4,743			
Payments within 2 to 5 years	4,427	5,233	9,736	19,396			
Payments within 6 to 10 years	6,855	5,220	13,325	25,400			
Payments within 11 to 15 years	8,411	3,664	14,768	26,843			
Payments within 16 to 20 years	10,269	1,806	16,362	28,437			
Payments within 21 to 25 years	7,245	0	10,674	17,919			
	38,130	17,415	67,193	122,738			
Miles Platting Housing					RPI	2037	Miles Platting – housing refurbishment, maintenance and estate management - services commenced in 2006/07. Total obligation as at start of contract of £496,894,000 to be met from Housing Subsidy and the Housing Revenue Account.
Payments within 1 year	2,076	3,775	8,559	14,410			
Payments within 2 to 5 years	8,553	15,577	35,875	60,005			
Payments within 6 to 10 years	13,047	16,001	50,126	79,174			
Payments within 11 to 15 years	16,716	11,495	56,713	84,924			
Payments within 16 to 20 years	17,025	8,731	64,166	89,922			
Payments within 21 to 25 years	21,158	4,505	72,598	98,261			
Payments within 26 to 30 years	5,555	0	15,626	21,181			
	84,130	60,084	303,663	447,877			
Public Lighting					RPI	2030	Public Lighting – refurbishment and maintenance of street lighting and illuminated street signage – services commenced in 2004/05. Total obligation as at start of contract of £164,300,000 to be met from PFI Special Grant and council resources.
Payments within 1 year	1,640	2,206	2,652	6,498			
Payments within 2 to 5 years	7,624	8,197	10,961	26,782			
Payments within 6 to 10 years	12,303	8,292	14,731	35,326			
Payments within 11 to 15 years	15,604	5,307	16,586	37,497			
Payments within 16 to 20 years	12,820	1,348	12,107	26,275			
	49,991	25,350	57,037	132,378			
Wright Robinson Sports College					RPI	2032	Wright Robinson Sports College - design, build and maintenance of sports college - services commenced in 2007/08. Total obligation as at start of contract of £116,428,000 to be met from PFI Special Grant and Dedicated Schools Grant (DSG).
Payments within 1 year	1,116	1,791	1,287	4,194			
Payments within 2 to 5 years	4,914	6,712	5,596	17,222			
Payments within 6 to 10 years	7,397	7,134	8,091	22,622			
Payments within 11 to 15 years	9,268	5,263	9,458	23,989			
Payments within 16 to 20 years	11,826	2,705	11,005	25,536			
Payments within 21 to 25 years	2,915	166	2,555	5,636			
	37,436	23,771	37,992	99,199			

*The service charge is inflated annually using the relevant index.
*The service charge shown assumes no deductions will be made for poor performance.

In each of the Housing PFI project contracts, (Miles Platting, Plymouth Grove), the contractor is contracted to improve a specified group of properties in an area to specified standards. (The actual number may be affected by demolitions and tenants exercising their Right to Buy). In the Energy Management PFI contract, the contractor is required to provide a service to specified properties to specified standards. (Once again, the actual number of properties may be affected by demolitions / RTB). The contractor is then required to manage and maintain these properties to a specified standard for the life of the PFI contract.

The school facilities PFI contracts (Temple and Wright Robinson), oblige the contractor to construct, fit out and equip new school buildings and facilities as defined and specified in each of the contracts. The contractor is then obliged to manage and maintain the new facilities for the duration of the life of the PFI contract.

The original Street Lighting PFI contract specified that 41,698 assets or lights were certified to be replaced during the Initial Apparatus Replacement programme, plus other assets to be replaced at others expense (eg housing developers). There is also an Annual Apparatus Replacement Programme.

Each Housing PFI contract sets out a minimum specification for the standard of maintenance and service provision to the individual properties by the contractor. There are clauses which set out the financial penalties to be paid by the contractor if these standards are not met.

The school facilities PFI contracts have similar minimum specifications for service provision / availability. If these are breached (eg unavailability of a sports pitch), then financial penalties are payable by the contractor.

The street lighting PFI set out a specified number of street lights to be replaced as part of the initial apparatus replacement programme. The service provider is also contracted to replace assets in a cyclical basis under the annual apparatus replacement programme.

The contracts specify start dates for the contractor to begin the work; there are also set dates by which improvements must be carried out to a specified standard. The contractor does not acquire ownership of the housing properties, the school buildings or the street lights at any point under the various contracts.

The ownership of the housing properties, the school buildings and facilities and the street lights is retained by the Council. The management and maintenance contract with the contractor expires at the end of the PFI contract (generally after 25 years); the contractor does not have an automatic right to renew the contract for a further period but is entitled to retender for the contract.

If the Council defaults on the terms of any of the contracts, the contractor can terminate the contract. The Council is entitled to terminate the contract if the contractor defaults

The contracts also oblige the contractor to carry out cyclical and planned maintenance, and to provide certain improvements (eg replace kitchens, or street lights) on a regular basis.

In accordance with the terms and conditions of the PFI contract, the Council is obliged to transfer a piece of land to the Miles Platting contractor (Renaissance) for the development of housing stock for private sale. However, due to the prevailing state of the housing market, it was more logical to make a payment to the contractor to represent the value of the land. A payment of £920,000 was made in 2010-11

In 2010-11, the Council paid £755,000 to the Plymouth Grove contractors (Grove Village), to reflect the effect of the loss of the RTB properties on the value of the contract as per the difference between the present housing stock numbers, and the housing stock numbers which were used in the original financial model.

Note 10. Trading Operations

Trading services are disclosed in line with the requirements of the Best Value Accounting Code of Practice and are mainly activities of a commercial nature which are financed substantially by charges made to the recipients of the service. These trading services are shown in the table below:

	2009/10 (Surplus)/Deficit £000s	2010/11 Turnover £000s	2010/11 Expenditure £000s	2010/11 (Surplus)/Deficit* £000s	
Building maintenance	606	(4,416)	5,715	1,299	
Highways maintenance	(298)	(13,830)	14,445	615	
Schools and welfare catering	212	(16,109)	16,282	173	
Other catering	154	(2,454)	2,659	205	
Street Scene	2,411	(15,978)	21,707	5,729	a
Technical services	395	(12,999)	12,872	(127)	
Manchester Engineering and Design	(110)	(5,138)	5,741	603	
Corporation estates (including shops)	(527)	(7,141)	5,419	(1,722)	
Industrial estates	92	(643)	438	(205)	
Theatres	1,328	(642)	1,860	1,218	
Markets	(687)	(8,077)	16,679	8,602	b
Print, design and translation service	288	(6,779)	7,166	387	
Manchester Temps	312	(3,500)	3,587	87	
Car parking	(1,579)	(9,079)	7,173	(1,906)	
Total (Surplus)/Deficit	**2,597**	**(106,785)**	**121,743**	**14,958**	

a - The deficit on the street scene trading account has increased due to costs of voluntary early retirement and severance costs.
b - The reason for the deficit in the markets trading account is an impairment charge of £9,554,000 for various markets.

* Included within the cost of all trading operations are costs that do not effect usable reserves such as depreciation and impairment. In addition costs of voluntary early retirements and severance are included within the figures.

Note 11. Agency Activities

The Council provides services as agents of other public bodies, whereby the Council recoups the costs incurred from the principal body. The expenditure is analysed as follows:

	2009/10 £000s	2010/11 £000s
Expenditure		
Prison library service	86	96
Social workers for health authorities, joint finance and direct payments scheme	10,683	1,355
Total	10,769	1,451

The direct payments scheme contract ended at the end of 2009/10.

Note 12. Health Act 1999 Pooled Funds

Section 31 of the Health Act 1999 enables the establishment of joint working arrangements between NHS bodies and local authorities. Pooled funds enable health bodies and local authorities to work together to address specific health issues.

Mental Health Pooled Budget

The purpose of the pool is to improve services for users through closer working between the NHS and Local Government pursuant to the obligations for the Primary Care Trust and Manchester City Council to co-operate with each other in providing the services.

The partner bodies are Manchester Primary Care Trust and Manchester City Council.

	2009/10 £000s	2010/11 £000s
Gross Funding		
Manchester City Council	13,422	16,533
Manchester Primary Care Trust	109,916	100,751
Total Funding	123,338	117,284
Total Expenditure	133,249	117,284
Overspend	9,911	0

The 2010/11 figures are provisional and subject to negotiaiton with Manchester Primary Care Trust.

Learning Disabilities Pooled Budget

The purpose of the pool is to improve services for users through closer working between the NHS and Local Government pursuant to the obligations for the Primary Care Trust and Manchester City Council to co-operate with each other in providing the services.

The partner bodies are Manchester Primary Care Trust and Manchester City Council.

	2009/10 £000s	2010/11 £000s
Gross Funding		
Manchester City Council	32,418	32,369
Manchester Primary Care Trust	13,078	14,015
Total Funding	45,496	46,384
Expenditure		
Commissioning	26,049	24,912
Provider - Manchester Learning Disability Partnership	19,393	21,891
Administration	550	842
Total Expenditure	45,992	47,645
(Under) / overspend	496	1,261

The Council's share of the overspend is included in the Council's accounts.

Note 13. Financing and Investment Income and Expenditure

The table below analyses the figures included in the Comprehensive Income and Expenditure Statement.

	2009/10 £000s	2010/11 £000s
Interest payable on debt	32,962	35,648
Interest element of finance leases (lessee)	147	370
Interest payable on PFI unitary payments	10,361	13,244
Pensions interest costs	122,500	149,000
Expected return on pension assets	(87,300)	(126,700)
Investment interest income	(10,631)	(12,272)
Investment Properties Impairment	11,860	15,034
Change in fair value of investment properties	(22,543)	(59,524)
Dividends receivable	(12,961)	(12,535)
(Gain) / loss on trading accounts (not applicable to a service)	153	204
Rentals received on investment properties	(20,223)	(20,215)
Expenses incurred on investment properties	1,402	1,811
Total financing and investment income and expenditure	25,727	(17,935)

Note 14. Taxation and non-specific grant income

The table below analyses the figure included in the Comprehensive Income and Expenditure Statement.
These are grants and council tax income that do not relate to a specific service.

	2009/10 £000s	2010/11 £000s	
Council Tax Income	138,104	142,063	
Revenue Support Grant	63,019	43,420	
National Non Domestic Rates	273,032	299,018	
Local Authority Business Growth Incentive Grant (LABGI)	550	0	
Area Based Grant	61,576	87,900	a
Private Finance Initiative Grant	6,580	6,580	
Capital Grants	132,515	63,469	
Total taxation and non-specific grant income	**675,376**	**642,450**	

a - The figure for Area Based Grant in 2010/11 includes supporting people grant.

Note 15 Revenue grants credited to the Comprehensive Income and Expenditure Account

The table below analyses the revenue grants credited to the Comprehensive Income and Expenditure Statement

	2009/10 £000s	2010/11 £000s	
Dedicated Schools Grant	266,346	288,141	
Surestart Grant	18,850	23,606	
Standards Fund Grant	63,484	63,303	
Parenting Strategy Grant	504	1,039	
Other Children's Grants	2,668	2,109	
Higher Education Funding Council	2,416	2,222	
Sixth Form Funding Grant	7,100	7,305	
Other Learning and Skills Council Grants	10,022	9,759	
Partnerships for Schools Grant	0	1,075	
Housing and Council Tax Benefit Subsidy	281,622	301,277	
Departmental of Health Grants	2,403	691	
Departmental of Communities and Local Government Grants	900	1,395	
New Deal for Communities Grant	1,677	0	
Housing Marker Renewal Grant	2,636	2,799	
Housing Subsidy	20,918	21,449	
Planning Delivery Grant	3,996	0	
Supporting People Grant	38,480	0	a
Social Care Reform Grant	2,194	2,686	
Homelessness Grant	1,453	1,165	
Drugs Intervention Grant	2,956	2,510	
Other Home Office Grants	917	1,789	
North West Development Agency	2,362	869	
Youth Justice Board	2,125	2,242	
Asylum Seekers Grant	15,165	12,008	
Department of Transport Grants	2,448	803	
Museum, Libraries and Archives Council	2,549	2,651	
English Partnerships	1,662	0	
Other Grants	1,902	1,322	
Total revenue grants credited to the Comprehensive Income and Expenditure Statement	**779,755**	**754,215**	

a - The supporting people grant was absorbed within the area based grant in 2010/11.

Note 16. Members' Allowances

The total payments made for Members' allowances and expenses are shown in the table below.

	2009/10 £000s	2010/11 £000s
Members' allowances	1,992	1,998
Members' expenses	10	11
Total	2,002	2,009

Note 17. Officers' Emoluments

Employee Remuneration

The Accounts and Audit Regulations require the disclosure of employees' remuneration in excess of £50,000 excluding the remuneration details of the Council's senior employees, which are disclosed separately.

The tables below include severance payments that may have been agreed at the year end but will not actually be paid until the staff leave during 2011/12 and for which the amounts are accrued for in the Council's accounts. Amounts agreed for compensation for loss of office are included if they were paid during the year.

The Council employs 10,920 non-schools based staff, the number of staff in each salary band over £50,000 split between those staff who have not received severance or other related payments and those who have is shown below. The increase in employees receiving remuneration in excess of £50,000 is partly due to the annual pay increment received each year and the increase in the number of employees taking voluntary severance during 2010/11.

	2009/10 Staff Who Have Not Received Severance or Other Related Payments	2009/10 Staff Who Have Received Severance or Other Related Payments	2009/10 Total	2010/11 Staff Who Have Not Received Severance or Other Related Payments	2010/11 Staff Who Have Received Severance or Other Related Payments	2010/11 Total
£50,000 - £54,999	51	0	51	49	149	198
£55,000 - £59,999	36	0	36	31	84	115
£60,000 - £64,999	16	0	16	21	28	49
£65,000 - £69,999	12	0	12	15	43	58
£70,000 - £74,999	9	0	9	9	34	43
£75,000 - £79,999	7	0	7	6	24	30
£80,000 - £84,999	2	0	2	2	10	12
£85,000 - £89,999	9	1	10	6	14	20
£90,000 - £94,999	1	0	1	5	6	11
£95,000 - £99,999	1	0	1	4	6	10
£100,000 - £104,999	3	1	4	0	6	6
£105,000 - £109,999	1	0	1	2	4	6
£110,000 - £114,999	1	1	2	0	3	3
£115,000 - £119,999	1	0	1	0	0	0
£125,000 - £129,999	0	0	0	0	1	1
£130,000 - £134,999	0	0	0	0	1	1
£145,000 - £149,999	0	0	0	0	1	1
	150	3	153	150	414	564

The Council employs 10,275 schools based staff, the number of staff in each salary band over £50,000 split between those staff who have not received severance or other related payments and those who have is shown below.

	2009/10 Staff Who Have Not Received Severance or Other Related Payments	2009/10 Staff Who Have Received Severance or Other Related Payments	2009/10 Total	2010/11 Staff Who Have Not Received Severance or Other Related Payments	2010/11 Staff Who Have Received Severance or Other Related Payments	2010/11 Total
£50,000 - £54,999	102	1	103	111	2	113
£55,000 - £59,999	70	2	72	62	2	64
£60,000 - £64,999	47	3	50	57	7	64
£65,000 - £69,999	23	0	23	31	5	36
£70,000 - £74,999	11	1	12	20	0	20
£75,000 - £79,999	8	0	8	9	0	9
£80,000 - £84,999	5	0	5	6	0	6
£85,000 - £89,999	2	1	3	0	2	2
£90,000 - £94,999	3	2	5	2	1	3
£95,000 - £99,999	2	0	2	4	0	4
£100,000 - £104,999	6	0	6	4	0	4
£105,000 - £109,999	0	0	0	2	0	2
£110,000 - £114,999	0	0	0	2	0	2
£115,000 - £119,999	2	0	2	1	0	1
£120,000 - £124,999	1	0	1	1	0	1
£125,000 - £129,999	0	0	0	1	0	1
£130,000 - £134,999	0	0	0	1	0	1
	282	10	292	314	19	333

Senior Employees' Remuneration

The following Council employees are classed as senior employees as they received a salary in excess of £150,000 (disclosed by name) or received a salary in excess of £50,000 and are part of the Council's Strategic Management Team (disclosed by job title).

For the Director of Children's Services the 'capital cost' of the payment of pension earlier than the normal retirement age. Thus as a 'notional' cost, the Council will not be required to make such a payment to the Greater Manchester Pension Fund given the sufficiency of its available employer contributions during 2010/11. For the Deputy Chief Executive (Regeneration) the sums reported are due to be paid during 2011/12 when the employee leaves under the Council's Voluntary Early Retirement scheme. The amounts have to be accounted for in 2010/11 although the employee does not leave the Council until mid 2011/12.

	Salary, Fees or Allowances		Expenses Allowance		Employer's Contribution to Pension		Employer's Contribution to Early Retirement Costs		Severance Payments	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
	£	£	£	£	£	£	£	£	£	£
Chief Executive of the Council and Clerk of the Greater Manchester Integrated Transport Authority, Sir Howard Bernstein	203,934	203,934	657	741	27,735	27,735	0	0	0	0
City Treasurer of the Council and the Treasurer of the Greater Manchester Integrated Transport Authority, Richard Paver	154,914	154,917	1,400	1,416	21,068	21,068	0	0	0	0
Director of Children's Services	138,066	138,066	151	0	18,777	18,777	0	99,295	0	0
Deputy Chief Executive (Regeneration)	138,233	138,066	1,170	1,239	18,777	18,777	0	95,238	0	95,510
Deputy Chief Executive (Performance)	130,002	130,002	0	0	18,109	17,680	0	0	0	0
Strategic Director of Directorate of Transformation	120,894	120,894	906	963	16,442	16,442	0	0	0	0
Acting Director of Adult Social Care April 2009 to December 2009	106,013	0	4,516	0	0	0	0	0	0	0
Strategic Director of Adults	29,032	120,000	3,520	3,365	3,948	16,320	0	0	0	0
Chief Executive of New East Manchester Ltd	120,660	120,000	0	0	16,467	16,320	0	0	0	0
City Solicitor of the Council and Monitoring Officer of the Greater Manchester Integrated Transport Authority	112,488	116,238	0	0	15,298	15,808	0	0	0	0
Director of Neighbourhood Services	119,312	120,000	986	1,045	15,883	16,320	0	0	0	0

Note 18. Audit Fees

The following amount of fees have been incurred for work carried out by the external auditors:

	2009/10 £000s	2010/11 £000s
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	480	478
Fees payable to Audit Commission in respect of statutory inspection	17	0
Fees payable to Grant Thornton for the certification of grant claims and returns	125	120
	622	**598**

Note 19. Property Plant and Equipment

Movements on tangible fixed assets during 2010/11 were as follows:

	Property, Plant and Equipment							
	Council Dwellings	Other Land and Buildings	Vehicles, Plant, and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Movement in 2010/11								
Gross book value brought forward	669,161	1,263,633	18,528	387,118	22,634	35,497	186,909	2,583,480
Accumulated depreciation and impairment brought forward	(99,897)	(135,228)	(2,277)	(49,384)	(50)	0	(5,779)	(292,615)
Net book value brought forward	**569,264**	**1,128,405**	**16,251**	**337,734**	**22,584**	**35,497**	**181,130**	**2,290,865**
Additions	36,781	55,758	7,262	20,497	2,030	35,705	32,875	190,908
Revaluations recognised in revaluation reserve	(232)	82,376	726	0	0	0	0	82,870
Revaluations recognised in deficit on the provision of services	(161,388)	(59,971)	(2,526)	0	0	0	(2,257)	(226,142)
Derecognition - disposals	(5,951)	(59,317)	0	0	0	0	(3,818)	(69,086)
Derecognition - components	(1,068)	(17)	0	0	0	0	0	(1,085)
Transferred from held for sale	0	(30)	0	0	0	0	(1,510)	(1,540)
Other transfers	(544)	(67,346)	8,860	(5,292)	0	56,521	2,872	(4,929)
Other movements in cost or valuation - newly recognised leases	0	0	2,946	0	0	0	0	2,946
Depreciation	(13,233)	(27,052)	(4,109)	(6,922)	(16)	0	(92)	(51,424)
Impairments	(17,673)	(6,008)	(15)	0	0	0	(3,322)	(27,018)
Impairments covered by the revaluation reserve	(6)	(3,602)	0	0	0	0	0	(3,608)
Net book value carried forward as at 31 March 2011	**405,950**	**1,043,196**	**29,395**	**346,017**	**24,598**	**127,723**	**205,878**	**2,182,757**

Gross book value carried forward	595,191	1,205,011	38,322	401,157	24,666	134,514	218,964	2,617,825
Accumulated depreciation and Impairment Carried Forward as at 31 March 2011	(189,241)	(161,815)	(8,927)	(55,140)	(68)	(6,791)	(13,086)	(435,068)
Net book value carried forward as at 31 March 2011	**405,950**	**1,043,196**	**29,395**	**346,017**	**24,598**	**127,723**	**205,878**	**2,182,757**

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Movements on tangible fixed assets during 2009/10 were as follows:

	Property, Plant and Equipment							
	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	Total £000s
Movement in 2009/10								
Gross book value brought forward	700,699	1,189,379	4,908	371,536	16,663	18,755	200,683	2,502,623
Accumulated depreciation and impairment brought forward	(80,351)	(95,375)	(1,327)	(43,888)	(41)	0	(10,461)	(231,443)
Net book value brought forward	**620,348**	**1,094,004**	**3,581**	**327,648**	**16,622**	**18,755**	**190,222**	**2,271,180**
Additions	66,274	62,734	5,748	17,179	6,337	32,342	45,157	235,771
Revaluations recognised in revaluation reserve	75	10,098	356	0	0	0	1,358	11,887
Revaluations recognised in deficit on the provision of services	(67,398)	(6,250)	0	0	0	0	(1,033)	(74,681)
Derecognition - disposals	(662)	(1,948)	0	0	0	0	(15,755)	(18,365)
Other transfers	(680)	11,722	123	(94)	(366)	(15,600)	(38,632)	(43,527)
Other movements in cost or valuation - newly recognised leases	0	0	7,392	0	0	0	0	7,392
Depreciation	(13,489)	(34,107)	(949)	(6,999)	(9)	0	(112)	(55,665)
Impairments	(35,152)	(5,460)	0	0	0	0	(43)	(40,655)
Impairments covered by the revaluation reserve	(52)	(2,388)	0	0	0	0	(32)	(2,472)
Net book value carried forward as at 31 March 2010	**569,264**	**1,128,405**	**16,251**	**337,734**	**22,584**	**35,497**	**181,130**	**2,290,865**

Gross book value carried forward	669,161	1,263,633	18,528	387,118	22,634	35,497	186,909	2,583,480
Accumulated depreciation and impairment carried forward as at 31 March 2011	(99,897)	(135,228)	(2,277)	(49,384)	(50)	0	(5,779)	(292,615)
Net book value carried forward as at 31 March 2010	**569,264**	**1,128,405**	**16,251**	**337,734**	**22,584**	**35,497**	**181,130**	**2,290,865**

Note 20. Valuation of Property, Plant and Equipment

The Council's fixed assets are valued on the balance sheet in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS):

- plant and machinery is included in the valuations of buildings when it is an integral part of the building

- properties classified as operational, excluding council dwellings, were valued on the basis of net realisable value in existing use or, where a market did not exist, on the basis of depreciated replacement cost

- council dwellings were valued in accordance with Department for Communities and Local Government guidance at open market value less a specified, notified percentage known as the social housing discount

- community assets and infrastructure have been valued at historical cost net of depreciation

- properties classified as non-operational have been valued on the basis of market value.

Depreciation has been calculated using a straight-line method (i.e. apportioned equally over each year of the life of the asset) for all assets unless that depreciation is immaterial. The estimated useful life of properties is determined by a qualified valuer. Land and assets not yet available for use (assets under construction) are not depreciated.

All assets, with the exception of those valued at historical cost net of depreciation, are revalued as part of a five year rolling programme. Accordingly, at least 20% of the above valuations have been reviewed by the District Valuer Jacobs, external valuers commissioned by the Council and M. Robertson RICS , a valuer employed by the Council. All assets reviewed had a valuation date of 1 April 2010. Material changes after the valuation date have been accounted for.

Inspections were carried out between 1 April 2010 and 31 March 2011, as part of the Council's normal revaluation process. As a result of these inspections the Council recognised revaluations of assets totalling £82,870,000 reflecting the revaluation movement since the last revaluation of these assets.

The Council also performed impairment reviews where there were impairment indicators, such as a change in use or capital expenditure in excess of £500,000 during the year.. Downward valuations were charged against the revaluation reserve to the extent there was a credit balance in the reserve for the individual asset. Amounts in excess of the credit balance in the reserve were charged to the Comprehensive Income and Expenditure Statement. This has resulted in £226,142,000 being charged to the Comprehensive Income and Expenditure Statement.

Note 21. Assets Held For Sale

Movements on Assets Available for Sale Assets during the year were as follows:

	Assets Held For Sale £000s
Net book value brought forward	**1,963**
Movement in 2009/10	
Disposals	(1,168)
Reclassifications	0
Revaluations	0
Impairments	0
Net book value carried forward as at 31 March 2010	**795**
Movement in 2010/11	
Disposals	(1,489)
Reclassifications	1,540
Revaluations	(51)
Impairments	0
Net book value carried forward as at 31 March 2011	**795**

Note 22. Assets Recognised Under PFI Arrangements

Movements on PFI Scheme Assets during the year were as follows:

	Energy Services £000s	Temple Primary School £000s	A6 Plymouth Grove Housing £000s	Miles Platting Housing £000s	Public Lighting £000s	Wright Robinson High School £000s
Net book value brought forward	**160**	**5,878**	**27,896**	**54,736**	**54,419**	**42,574**
Movement in 2009/10						
Expenditure	91	42	264	25,030	321	202
Disposals	0	0	0	(15,050)	0	0
Reclassifications	0	0	0	3,786	0	0
Depreciation	(23)	(99)	(818)	(1,838)	(1,503)	(707)
Revaluations	0	0	0	1,264	0	0
Impairments	(79)	0	(1,355)	(12,040)	0	0
Net book value carried forward as at 31 March 2010	**149**	**5,821**	**25,987**	**55,888**	**53,237**	**42,069**
Movement in 2010/11						
Expenditure	0	146	0	0	0	307
Disposals	0	0	0	(40)	0	0
Depreciation	(8)	(99)	(492)	(1,152)	(1,086)	(707)
Revaluations	0	0	(6,971)	(14,881)	0	0
Impairments	0	(2)	0	(18)	0	0
Net book value carried forward as at 31 March 2011	**141**	**5,866**	**18,524**	**39,797**	**52,151**	**41,669**

	Energy Services £000s	Temple Primary School £000s	A6 Plymouth Grove Housing £000s	Miles Platting Housing £000s	Public Lighting £000s	Wright Robinson High School £000s
Deferred liability broought forward	**2,142**	**3,328**	**19,135**	**40,847**	**40,798**	**28,926**
Movement in 2009/10						
Additional liability	0	0	0	20,569	0	0
Write down of liability	(115)	(37)	(219)	(2,111)	(1,211)	(578)
Deferred liability carried forward as at 31 March 2010	**2,027**	**3,291**	**18,916**	**59,305**	**39,587**	**28,348**
Movement in 2010/11						
Additional liability	0	0	802	8,435	0	0
Write down of liability	(113)	(61)	0	0	(1,021)	(621)
Deferred liability carried forward as at 31 March 2011	**1,914**	**3,230**	**19,718**	**67,740**	**38,566**	**27,727**

Note 23. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licences; the Council does not hold any internally generated software.

All software is given a finite life based on assessments of the period that the software is expected to be of use to the Council and amortised over the length of that useful life. The useful lives assigned to the major software suites used by the Council are:

Estimated useful life	Software licences
5 years	Housing Civica System Geographical Information System
6 years	Housing Management Software Housing Project Management Software
10 years	Financial System Housing Benefits and Council Tax System

	2009/10			2010/11		
	Purchased Software Licences £000s	Licences, Trademarks and Artistic Originals £000s	Total £000s	Purchased Software Licences £000s	Licences, Trademarks and Artistic Originals £000s	Total £000s
Original cost	4,797	10	4,807	5,205	0	5,205
Amortisation at 1 April	(2,264)	(10)	(2,274)	(2,840)	0	(2,840)
Balance at 1 April	**2,533**	**0**	**2,533**	**2,365**	**0**	**2,365**
Expenditure	414	0	414	42	0	42
Amortisation in year	(582)	0	(582)	(623)	0	(623)
Balance at 31 March	**2,365**	**0**	**2,365**	**1,784**	**0**	**1,784**
Comprising:						
Gross carrying amount	5,211	10	5,221	5,247	0	5,247
Accumulated Amortisation	(2,846)	(10)	(2,856)	(3,463)	0	(3,463)
	2,365	**0**	**2,365**	**1,784**	**0**	**1,784**

There are four items of capitalised software that are individually material to the financial statements:

	Carrying Amount		
	31 March 2010 £000s	31 March 2011 £000s	Remaining Amortisation Period
SAP Financial System 2005/06 Licences	1,584	1,267	5 years
SAP Financial System 2009/10 Licences	410	369	9 years
Housing Rents Civica System	161	0	0 years
Housing Management Software	73	0	0 years

Note 24. Assets Held as Lessee

Operating Leases

The Council has acquired the majority of its fleet of vehicles, printers and multi-functional devises/ by entering into operating leases, with lives of between three and seven years.

The Council has entered a number of operating leases relating to offices and land. The leases vary in length from short-term leases to those with terms over 600 years.

The future minimum lease payments due under non-cancellable leases in future years are:

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Not later than one year	6,352	6,768	6,856
Later than one year and not later than five years	19,513	22,583	20,621
Later than five years	53,439	50,544	47,620
	79,304	79,895	75,097

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2009/10 £000s	2010/11 £000s
Minimum lease payments	6,945	7,439
Contingent rents	0	0
Sub leave payments (receivable)	(448)	(448)
	6,497	6,991

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2009/10 £000s	2010/11 £000s
Adult social care	63	58
Central services to the public	3	4
Education and children's services	211	224
Cultural, environmental, regulatory and planning services	5,277	6,225
Highways and transport services	1,212	740
Housing Services	179	188
Total minimum lease payments	6,945	7,439

Finance Leases

The Council has acquired a number of vehicles and items of equipment under finance lease agreements and also leases twelve Premises and sites that are classified as finance leases.

These assets are included in the Balance Sheet at the following net amounts.

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Investment properties	500	500	500
Vehicles, plant and equipment	350	6,010	7,133
	850	6,510	7,633

The Council is committed to making minimum lease payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Finance lease liability			
current	129	1,543	1,987
non current	598	4,850	5,528
Finance costs payable in future years	89	1,261	1,425
	816	7,654	8,940

The minimum lease payments will be payable over the following periods:

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Not later than one year	152	1,857	2,373
Later than one year and not later than five years	317	4,432	5,868
Later than five years	422	1,440	774
Total minimum lease payments	891	7,729	9,015

The finance lease liability will be payable over the following periods:

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Not later than one year	129	1,543	1,987
Later than one year and not later than five years	269	3,673	4,907
Later than five years	403	1,252	696
Total minimum lease payments	801	6,468	7,590

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. No contingent rents were payable by the Council in 2009/10 or 2010/11.

The Council has sub-let a number of refuse vehicles held under these finance leases. At 31 March 2011 the minimum payments expected to be received under non-cancellable sub-leases was £113,000 (£283,000 at 31 March 2010, £0 at 1 April 2009).

The Council has sub-let a number of properties held under these finance leases. At 31 March 2011 the minimum payments expected to be received under non-cancellable sub leases was £13,000 (£13,000 at 31 March 2010, £13,000 at 1 April 200[illegible]

Finance leases classified as Vehicles, plant, furniture and equipment have a gross carrying amount of gross asset cost less the lessors disclosed residual value. Depreciation is charged on a straight line basis over the life of the lease.

	Land and building £000s	Vehicles, plant and equipment £000s	Total £000s
Net book value brought forward	**500**	**350**	**850**
Movement in 2009/10			
Additions	0	5,888	5,888
Disposals	0	0	0
Reclassifications	0	0	0
Depreciation	0	(228)	(228)
Revaluations	0	0	0
Impairments	0	0	0
Net book value carried forward as at 31 March 2010	**500**	**6,010**	**6,510**

Gross Book Value as at 1 April 2010	500	6,779	7,279
Accumulated Depreciation as at 1 April 2010	0	(769)	(769)
Net book value carried forward as at 31 March 2010	**500**	**6,010**	**6,510**

	Land and building £000s	Vehicles, plant and equipment £000s	Total £000s
Net book value brought forward	**500**	**6,010**	**6,510**
Movement in 2010/11			
Additions	0	2,973	2,973
Disposals	0	0	0
Reclassifications	0	0	0
Depreciation	0	(1,850)	(1,850)
Revaluations	0	0	0
Impairments	0	0	0
Net book value carried forward as at 31 March 2011	**500**	**7,133**	**7,633**

Gross Book Value as at 31 March 2011	500	9,752	10,252
Accumulated Depreciation as at 31 March 2011	0	(2,619)	(2,619)
Net book value carried forward as at 31 March 2011	**500**	**7,133**	**7,633**

There are no outstanding commitments to enter into further finance lease agreements.

Note 25. Assets Held as Lessor

The Council has leased out a number of offices, industrial premises and land to various organisations for both community use and economic development purposes. The leases vary in length up to 999 years.

The future minimum lease payments receivable under non cancellable leases in future years are.

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Not later than one year	9,246	9,794	9,889
Later than one year and not later than five years	33,638	34,960	32,917
Later than five years	691,066	685,522	680,519
Total minimum lease payments	733,950	730,276	723,325

The minimum lease payments do not include rents that are contingent on events taking place after the lease has been entered into, such as adjustments following rent reviews.

Note 26. Investment Properties

The gross amount of income generating investment properties classed as operating leases is £317,628,000 (£246,254,000 in 2009/10).

As these assets are classed as investment properties no depreciation charge has been made in 2010/11 or 2009/10.

	2009/10 £000s	2010/11 £000s
Rental income from investment property	(20,223)	(20,215)
Direct operating expenses arising from investment property	1,402	1,811
Net loss	**(18,821)**	**(18,404)**

The following table summarises the movement in the fair value of investment properties over the year:

	Investment Properties £000s
Net book value brought forward	**302,746**
Movement in 2009/10	
Expenditure	4,907
Disposals	0
Reclassifications	43,527
Depreciation	(6)
Revaluations	22,543
Impairments previously charged to revaluation reserve	(11,860)
Other impairments	(48,819)
Net book value carried forward as at 31 March 2010	**313,038**
Movement in 2010/11	
Expenditure	21,895
Disposals	(4)
Reclassifications	4,928
Depreciation	0
Revaluations	59,523
Impairments	(15,034)
Net book value carried forward as at 31 March 2011	**384,346**

Note 27. Capital Expenditure, Funding and Disposals

	2009/10 £000s	2010/11 £000s
Expenditure		
Council dwellings	40,978	36,781
Other land and buildings	151,195	148,264
Vehicles, plant, furniture and equipment	5,748	7,262
Infrastructure assets	16,858	20,497
Revenue expenditure funded from capital under statute*	93,258	79,378
Intangible assets	414	15
Long-term debtors	15,357	479
	323,808	292,676
Funded by		
Borrowing	142,952	67,304
Revenue contributions	740	14,313
Major Repairs Allowance	20,782	10,834
Government grants	153,796	197,644
External contributions	5,538	2,581
	323,808	292,676
Disposals of Fixed Assets		
Council dwellings	855	7,019
Other land and buildings	17,918	64,645
	18,773	71,664

* Legislation allows some expenditure to be classed as capital expenditure even though it does not result in the recognition of a fixed asset on the Council's balance sheet (i.e. grants and expenditure on property not owned by the Council). This enables the expenditure to be funded by capital resources, rather than charging the General Fund and impacting upon the year's council tax.

(Gain)/Loss on Disposal of Fixed Assets

	2009/10 £000s	2010/11 £000s
Small Scale Voluntary Transfer of Council Dwellings	0	5,063
Other HRA assets	94	(3,419)
Removal of foundation schools from balance sheet	0	58,353
Other non-HRA assets	(3,233)	(1,595)
	(3,139)	58,402

Further details of the small scale voluntary transfer are shown in note (l) to the HRA.
There were no Transfers of Council Dwellings in 2009/10.

Note 28. Contracted Capital Commitments

Many capital schemes take two or more years to complete. At the Balance Sheet date the main estimated contractual commitments relating to ongoing schemes were as follows:

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Housing	25,195	24,121	18,584
Education	124,016	75,148	117,794
Other services	3,836	18,600	13,676
	153,047	**117,869**	**150,054**

Note 29. Investments

The Council has the following long-term investments:

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Investments in Associates and Subsidiaries			
Manchester Airport Plc Share Capital	112,354	112,354	112,354
Destination Manchester Ltd Share Capital	2,700	10,200	10,200
National Car Parks (Manchester) Ltd Share Capital	1,103	1,103	1,103
Manchester Mortgage Corporation Plc Share Capital	5,691	5,782	5,841
Total	121,848	129,439	129,498
Non-Group Investments	2,026	2,726	2,776
Total Long-Term Investments	**123,874**	**132,165**	**132,274**

The investments in Manchester Airport plc, Destination Manchester Ltd and National Car Parks (Manchester) Ltd are shown at cost. The investment in Manchester Mortgage Corporation is shown at cost less impairment and is the value of the reserves of the company.

Non Group Investments are shown at their market value.

Note 30. Inventories and Long Term Contracts

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Inventories	8,916	1,287	1,460
Long term contracts	34	10	10
	8,950	1,297	1,470

The reduction in the value of inventories between 1 April 2009 and 31 March 2010 is due to the reclassification of aids and adaptations equipment as property, plant and equipment.

Note 31. Debtors and Payments in Advance

As the balance sheet date represents the position at the end of the financial year, there are monies owed to the Council at that date which are yet to be received in cash. The following analysis shows the amounts owed to the Council which had not been received at 31 March 2011.

The Council also makes provision for outstanding monies which it is anticipated will not be recovered. These amounts are then deducted from the total value of debtors shown in the accounts. An analysis of this impairment of debt is shown below:

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Government departments	144,781	45,916	52,047
HM Revenue and Customs	14,160	17,855	8,192
Other local authorities	9,543	16,645	6,781
Other public bodies	5,974	14,117	9,999
Council tax	39,091	38,670	39,238
Housing rents	11,850	11,856	11,342
Financial institutions	1,047	420	304
Trade and individuals	86,252	73,805	76,211
	312,698	219,284	204,114
Impairment of Debt			
Housing rents	(8,548)	(9,202)	(7,783)
Council tax	(29,612)	(30,518)	(30,945)
Other	(22,216)	(24,086)	(25,491)
Total	252,322	155,478	139,895

These are amounts which are owed to the Council which are being repaid over various periods longer than one year. Long-term debt which has become due in less than twelve months has been reclassified as short-term debt.

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s	
Amounts falling due after one year				
Mortgages				
Housing Revenue Account	348	256	246	(a)
General Fund	180	180	114	(a)
Manchester Airport Plc	80,277	83,195	83,195	(b)
Destination Manchester Ltd/Manchester Central	18,147	23,193	21,943	(c)
Ex GMC	288	264	240	(d)
PFI prepayments	3,920	4,630	6,027	(e)
Other	2,757	3,723	4,355	(f)
	105,917	115,441	116,120	

a - These debtors relate to mortgages granted to individuals.

b - These debtors relate to long-term loan advances made to Manchester Airport Plc to assist in the financing of approved capital works. This figure includes loan interest accruals to 31 March 2011. This loan was renegotiated during 2009/10 and now includes debt that was previously the responsibility of the Greater Manchester Debt Administration Fund.

c - This debtor relates to loans made to the company which are repayable from July 2011. On 27 March 2010 £7,500,000 of this debt was converted to share capital.

d - This debtor relates to loan advances in respect of undertakings transferred to the former Greater Manchester Council and are repayable by the Greater Manchester Metropolitan Debt Administration Fund.

e - These debtor relates to amounts paid to contracts as part of the unitary charge where works will take place at a later date.

f - These relate to loans given to organisations related to the Council.

Note 32. Creditors and Receipts in Advance

As the Council's Balance Sheet represents the financial position at the end of the financial year, these are monies owed by the Council at that date which have yet to be paid. There are also amounts which the authority has received before the end of the financial year which relates to services which have not yet been provided or are to fund schemes which have not yet taken place. This analysis shows the amounts owed which had not yet been paid and the amounts received in advance as at 31 March 2011.

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Government departments	13,906	14,368	35,364
HM Revenue and Customs	12,523	10,869	11,625
Other local authorities	15,692	10,078	6,693
Other public bodies	2,679	11,036	3,745
Council tax	4,823	4,756	4,808
Housing rents	1,646	1,912	2,398
Financial institutions	7,051	8,549	19,318
Trade and individuals	131,789	107,031	114,147
	190,109	168,599	198,098

These are amounts which are owed BY the Council which are being repaid over various periods longer than one year. Long-term creditors which has become due in less than twelve months has been reclassified as short-term creditors.

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Amounts falling due after one year			
Private finance initiatives land transfer	1,950	276	0
Rental deposits	0	0	1,468
Equity mortgages - share of proceeds	0	0	150
Other	0	0	90
	1,950	276	1,708

Note 33. Analysis of Long-term Borrowing

a. To Balance Sheet Date

The table below shows the outstanding long-term borrowing at 31 March 2011:

	31 March 2009 £000s	31 March 2010 £000s	Range of Interest Rates Payable from %	to %	Average Interest %	31 March 2011 £000s
Analysis of loans by type						
Public Works Loans Board	100,689	131,595	2.3800	11.6520	3.9598	201,774
Market Loans	564,715	565,082	2.9000	10.1250	4.8896	564,946
Stocks	8,287	8,270	3.0000	4.0000	3.3646	8,240
Total Outstanding	673,691	704,947				774,960
Analysis of loans by maturity						
1-2 years	12,404	338				10,933
2-5 years	35,990	51,943				41,399
5-10 years	96,511	63,863				63,679
after 10 years	528,786	588,803				658,949
	673,691	704,947				774,960

b - To Maturity

The table below includes the outstanding long-term borrowing at the balance sheet date (as per the table above) plus interest due to the date of maturity of the outstanding loans. This provides details of future commitments if the loans are held to the date of maturity.

	1 April 2009 £000s	31 March 2010 £000s	Range of Interest Rates Payable from %	to %	Average Interest %	31 March 2011 £000s
Analysis of loans by type						
Public Works Loans Board	201,147	252,852	2.3800	11.6525	3.9598	459,389
Market Loans	1,727,300	1,700,468	2.9000	10.1250	4.8896	1,665,045
Stocks	19,586	19,268	3.0000	4.0000	3.3646	18,927
Total Outstanding	1,948,033	1,972,588				2,143,361
Analysis of loans by maturity						
1-2 years	14,464	384				12,150
2-5 years	46,009	59,047				45,338
5-10 years	169,044	104,229				99,005
after 10 years	1,718,516	1,808,928				1,986,868
	1,948,033	1,972,588				2,143,361

Note 34. Deferred Liabilities

The note below shows the amounts owed by the Council, these have been split between short term (amounts owed in less than 12 months) and long term (amounts owed in more than 12 months on the balance sheet

	1 April 2009 £000s	31 March 2010 £000s	Repaid in year £000s	Additions in year £000s	31 March 2011 £000s
Ex GMC debt	22,333	24,087	1,400	0	22,687
Finance leases	995	6,199	1,852	3,329	7,676
Private Finance Initiatives	135,177	151,474	1,816	9,237	158,895
	158,505	181,760	5,068	12,566	189,258

Note 35. Capital Grants Receipts in Advance

The note below shows the balance of capital grants received in advance. These grants were not recognised as income at the balance sheet date as they have conditions attached to them that will require the money to be returned.

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Carrington Reinstatement Deposit	801	801	801
Contributions from Private Developers	411	40	0
	1,212	841	801

Note 36. Provisions

Provisions are established to meet liabilities or losses which are likely or certain to be incurred, but the amounts or timings are uncertain.

These have been split between short term (amounts owed in less than 12 months) and long term (amounts owed in more than 12 months on the balance sheet

The Council has established the following provisions:

	1 April 2009 £000s	31 March 2010 £000s	Applied in year £000s	Contributions in year £000s	Amounts Released in year £000s	31 March 2011 £000s	
Compensation provisions	12,917	13,933	(4,876)	9,203	(75)	18,185	a
Asbestos compensation provision	392	1,146	(397)	176	0	925	e
Personal injury compensation provision	318	260	(146)	34	0	148	a
Adult family placement provision	333	333	(3)	0	0	330	a
Cleopatra compensation provision	4,269	2,912	(1,419)	1,000	0	2,493	a
Transition costs provision	286	189	0	0	(189)	0	b
Voluntary early retirement / severance provision	0	0	0	2,411	0	2,411	c
Adult services provision	0	980	0	2,500	0	3,480	d
Various other provisions	1,728	1,040	(400)	1,355	(56)	1,939	
	20,243	20,793	(7,241)	16,679	(320)	29,911	

a - The Compensation Provisions have been set up in order to compensate customers and employees for claims received by the Council as at 31 March 2011. These claims will be paid as the amount of compensation is agreed for each case. The amounts of the provisions have been calculated based on an estimate of the likely settlement of the claims. There is no expected reimbursement to fund these claims.

b- The transitional costs provisions has not been used during 2010/11 and no longer meets the requirements for establishment as a provision. It has therefore been released.

c- The voluntary early retirement / severance provision has been set up to fund voluntary early retirement and severance costs that were approved by the Council prior to 31 March 2011 but accepted by the individual after that date. The payments will be made from this provision during 2011/12.

d- The adult services provision has been set up to fund estimated liabilities relating to the adult services. It is expected that this liability will be settled during 2011/12.

Note 37. Insurance Provision

Within compensation provisions is an insurance provision, created by the Council to cover for known claims. The amount in this provision for 2010/11 was £3,589,000 (£3,427,000 2009/10).

Note 38. Financial Instruments

The Council's treasury management policy complies with the CIPFA Code of Practice on Treasury Management (Revised November 2009). This was adopted by the Council on 3 March 2010. In accordance with best practice, the City Treasurer has undertaken a review of the policy and is satisfied that the policy is relevant and complete.

The Council's treasury management activities are managed through a Central Loans and Investment Account. Operating a Central Loans and Investment Account enables the Council to borrow on advantageous terms, minimise administration costs and dampen the effects of large interest rate changes. In 2010-11 the average net rate of interest paid and received was 4.02% (3.99% in 2009-10).

Financial Instruments Balances

	Long-Term		Current	
	31 March 2010 £000s	31 March 2011 £000s	31 March 2010 £000s	31 March 2011 £000s
Financial liabilities at amortised cost	879,430	955,645	172,901	203,717
Financial liabilities at fair value through the I&E	0	0	0	0
Total Financial Liabilities	**879,430**	**955,645**	**172,901**	**203,717**
Loans and receivables	115,441	116,120	145,837	197,365
Available for sale assets	2,650	2,701	0	0
Financial assets at fair value through the I&E	0	0	0	0
Unquoted equity investment at cost less impairment	75	75	0	0
Total **Financial Assets**	**118,166**	**118,896**	**145,837**	**197,365**

The unquoted equity investment at cost less impairment consists of the Council's shareholding in companies that are not quoted on the stock exchange and are not shown within the Council's group accounts. Investments in companies within the Council's group account are not classed as financial instruments.

Fair Value of Assets and Liabilities Carried at Amortised Cost

	Carrying Amount		Fair Value	
	31 March 2010 £000s	31 March 2011 £000s	31 March 2010 £000s	31 March 2011 £000s
PWLB debt	131,595	201,774	131,385	205,078
Non-PWLB debt	566,590	565,413	665,218	651,751
Stocks	8,270	8,240	7,787	6,430
Total Borrowings	**706,455**	**775,427**	**804,390**	**863,259**
Ex GMC debt	24,087	22,687	24,087	22,687
PFI and finance lease liabilities	157,673	166,571	157,673	166,571
Trade creditors	164,119	194,998	164,119	194,998
Total Financial Liabilities	**1,052,334**	**1,159,683**	**1,150,269**	**1,247,515**

	Carrying Amount		Fair Value		
	31 March 2010 £000s	31 March 2011 £000s	31 March 2010 £000s	31 March 2011 £000s	
Cash and cash equivalents	17,686	65,763	17,686	65,763	Note 46
Trade debtors	262,767	247,722	262,767	247,722	
Total Loans and Receivables	**280,453**	**313,485**	**280,453**	**313,485**	

Assets and liabilities are carried at amortised cost where part of their carrying amount (as per the balance sheet) will either be written down or written up via the Income and Expenditure Account over the term of the financial instrument.

For the purposes of the notes to the accounts, all assets and liabilities are given a fair value, although this is only shown in the balance sheet for available for sale assets. For many financial instruments the fair value will be the same as the outstanding principal amount, but for others there could be a significant difference.

Fair value is defined as the amount for which an asset could be exchanged or a liability settled assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy or sale at an appropriate price.

The fair value is greater than the carrying amount when the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. Market values and historical cost have been used to value investments as applicable.

The fair values for financial liabilities have been determined by reference to the PWLB redemption rules and prevailing PWLB redemption rates as at each balance sheet date and include accrued interest. The fair values for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for the fair value for these instruments.

	Financial Liabilities	Financial Assets			
	Measured at Amortised Cost £000s	Loans and Receivables £000s	Available for Sale Assets £000s	Fair Value through the I&E £000s	Total £000s
Interest Expense	49,262	0	0	0	49,262
Losses on Derecognition	0	0	0	0	0
Interest Payable and Similar Charges	**49,262**	**0**	**0**	**0**	**49,262**
Interest Income	0	(12,272)	0	0	(12,272)
Gains on Derecognition	0	0	0	0	0
Interest and Investment Income	**0**	**(12,272)**	**0**	**0**	**(12,272)**

Nature and extent of risk arising from Financial Instruments and the management of those risks

Key Risks

The Council's activities exposes it to a variety of financial risks:

Credit Risk - the possibility that other parties might fail to pay amounts due to the Council
Liquidity Risk - the possibility that the Council might not have funds available to meet its commitments to make payments
Refinancing Risk - the possibility that the Council might be required to renew financial instruments on maturity at a disadvantageous interest rate or terms
Market Risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks.

The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the code of practice
- By the adaptation of a Treasury Policy statement and Treasury management clauses within its constitution
- By approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing
  - Its maximum and minimum exposures to fixed and variable rates
  - Its maximum and minimum exposures in the maturity structure of its debts
  - Its maximum and minimum exposures to investments maturing beyond a year
  - By approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counter parties with Government Guidance.

These are required to be reported and approved annually before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy and actual performance is also reported semi-annually to Members.

The annual Treasury Management Strategy was approved by Council on 3 March 2010 and is available on the Council's website.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is managed through the Annual Investment Strategy which was approved by full Council on 3 March 2010 and is available on the Council's website. Some of the key areas of the strategy are as follows:

Specified Investments are investments in sterling denomination, with maturities up to a maximum of one year. All specified investments meet the minimum "high" ratings criteria where applicable.

- Term deposits – Other Local Authorities: Credit Criteria High Security
- Term deposits – Banks and building societies: Credit Criteria Varied

Non-specified investments are any other type of investment than specified. The Council does not make use of this type of investment.

Investment Limits

The financial investment limits of banks and building societies are linked to their Fitch (or equivalent) long-term ratings, as follows:

Banks	
AA+	£20 million
AA/AA-	£15 million
A+/A	£10 million
Building Societies	
Fitch AA-	£15 million
Fitch A-	£10 million
Other	
Debt Management Office	£100 million
District Councils	£5 million
Other local authorities	£10 million

Credit quality of counter parties (issuers and issues) and investment schemes will be determined by reference to credit ratings published by Fitch, Moodys and Standard and Poor's rating agencies. The Council's minimum long-term, short-term and other credit rating criteria, which are considered sufficient for each category of investment, will be adhered to at all times. Since the 2009-10 financial year, in response to the continuing economic uncertainty and financial difficulties faced by some banks the Council has restricted to UK banks and building societies and has limited fixed deposits to a time period of 3 months. The Council continued to rely on market intelligence as well as credit ratings, credit outlooks and additional information to alert it to institutions possibly facing financial difficulties.

Monitoring of credit ratings

A - All credit ratings will be monitored on a continual basis and reviewed weekly. The Council is alerted by Sector, its external Treasury Management advisors, to changes in the Fitch, Moody's and Standard and Poor's rating agencies ratings daily.

B - If a downgrade results in the counter party/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

C - If a counter party/investment scheme is upgraded so that it fulfils the Council's criteria, the City Treasurer will have the discretion to include it on the lending list.

The current trade debtor amount is £280,995,000 and the estimated exposure to default is £33,274,000.

Liquidity Risk

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity risk position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system as required by the CIPFA Code of Practice, this seeks to ensure that cash is available when it is needed.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures listed above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes: monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council has £460,000,000 lender option borrower option (LOBO) loans. These have fixed rates of interest but the lender may seek to increase interest rates at which point the Council has the option to repay the loan. As there is no certainty as to whether these loans will be repaid early, the Council has treated these loans as fixed loans which will run to maturity. In forming this judgement the Council has taken account of its ability to refinance through PWLB.

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
borrowings at fixed rates – the fair value of the borrowing liability will fall
investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as fair value through the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year, to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns. Similarly the drawing of longer term fixed rate borrowing would be postponed.

The Council tries to maximise its income on temporary investment and minimise its interest costs on temporary and long-term borrowing.

The maximum interest rate increase that could be expected in the current climate is assessed at 1%. This would only apply to our net short-term investments. The Council also has a number of LOBO loans that can be called at periods. There is the risk that these may have to be refinanced at a higher rate.

- LOBO risk (loans potentially subject to call £150,000,000@1%) = £1,500,000.

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares but does have shareholdings at a cost of £132,000,000 in a number of joint ventures and in local industry. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares or impairment of the assets held. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

Foreign Exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Note 39. Usable Reserves

Movements on the Council's useable reserves were as follows:

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s	Note	Purpose of Reserve
Reserves Held for Capital Purposes					
Capital Receipts Reserve	7,808	14,695	26,962	a	Proceeds of fixed assets sales available to meet future capital investment.
Major Repairs Reserve	13,169	1,946	780	b	Resources available to meet capital investment in council housing.
Capital Grants Unapplied Reserve	48,013	67,894	72,119	c	Capital grants and contributions available to meet future capital expenditure.
Total Reserves Held for Capital Purposes	**68,990**	**84,535**	**99,861**		
Reserves Held for Revenue Purposes					
General Fund Reserve	26,263	23,026	21,660		Resources available to meet future running costs for non-HRA services.
Housing Revenue Account Reserve	46,614	48,989	51,773		Resources available to meet future running costs for council housing.
Home Loans Reserve	5,908	5,827	547		Resources available to meet future needs of mortgage accounts.
Unused Dividends Reserve	3,870	4,040	0		The Unused Dividends Reserve was established to hold dividends received from Manchester Airport Plc and other companies that were to be used in the following financial year.
LMS Reserve	24,203	19,160	22,754		The LMS Reserve is committed to be spent on the Education service and is not available for the general use of the authority. This is held by schools under delegated schemes.
Development Fund Reserve	3,758	3,971	0		The Development Fund was established to provide funds for investment in schemes for which other funding was not available and which would produce cost benefits for the Council over a long-term period.
On-street Parking Reserve	2,177	1,848	3,411		The On-street Parking Reserve was established to hold surpluses generated from on-street parking and will be spent on transport related activities and road and environmental improvements.
Bus Lane Enforcement Reserve	723	849	1,228		The Bus Lane Enforcement Reserve was established to hold surpluses generated from bus lane enforcement and will be spent on public transport related activities and highways improvements.
Service Improvement Fund Reserve	8,461	5,120	3,610		The Service Improvement Fund was established to fund improvements in Council services.
Capital Fund Reserve	37,840	48,672	37,399		The Capital Fund was established to contribute to major capital schemes.
Town Hall Reserve	11,000	18,564	8,091		The Town Hall Reserve was established to contribute towards the refurbishment of the Town Hall Extension and Central Library.
Public Lighting PFI Reserve	7,184	6,900	6,563		The Public Lighting PFI Reserve has been established to fund future expenditure on the scheme.
Insurance Fund Reserve	17,695	17,284	17,594		The Insurance Fund has been established to fund risks that are self-insured.
Children's Services Reserve	2,565	3,565	2,430		The Children's Services Reserve was established to fund future liabilities relating to Children's Services.
Community Care Reserve	2,900	2,600	2,600		The Community Care Reserve was set up to meet future potential care costs.
LABGI Reserve	7,255	5,678	2,588		The LABGI Reserve was set up to fund contributions towards specific schemes funded from the Local Authority Business Growth Incentive grant.

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s	Note	Purpose of Reserve
Cleopatra Reserve	0	1,112	1,112		The Cleopatra Reserve was set up to meet future potential compensation claims.
Area Based Grant Reserve	4,828	5,775	3,358		The Area Based Grant Reserve was set up to hold unspent Area Based Grant monies.
Pension Contribution Reserve	913	4,587	2,030		The Pension Contribution Reserve was set up to fund future additional pension costs.
Productivity Fund Reserve	0	0	1,456		The Productivity Fund Reserve was set up to pump prime future investment opportunities to achieve further ongoing savings.
Voluntary Early Retirement and Voluntary Severance Reserve	0	0	7,818		The Voluntary Early Retirement and Voluntary Severance Reserve was established by transferring sums from other reserves to fund costs associated with voluntary early retirements and redundancies.
English Institute of Sport Reserve	0	0	1,013		The English Institute of Sport Reserve holds monies received in relation to the City of Manchester Stadium and is to be used to fund future developments at Sportscity.
Other Revenue Reserves	5,622	5,637	6,233		These are various reserves with balances less than £1million.
Total Reserves Held for Revenue Purposes	**219,779**	**233,204**	**205,268**		
Unused Grant Reserves - previously shown as receipts in advance prior to the introduction of IFRS					
Planning Delivery Grant Reserve	2,233	5,018	2,751		The Planning Delivery Grant Reserve was set up to hold unspent Planning Delivery Grant monies.
Standards Fund Grant Reserve	4,099	5,330	6,711		These grants were previously shown as receipts in advance on the Council's balance sheet under UKGAAP accounting standards as the spend they were funding had not been incurred. As these grants will not need to be repaid in accordance with the conditions on which the grant has been given, IFRS accounting standards require these grants to be classed as a reserves.
Dedicated Schools Grant Reserve	5,155	2,230	1,881		
Asylum Seekers Grant Reserve	1,582	2,422	2,527		
English Partnership Reserve	0	7,579	3,597		
Department of Transport Grant Reserve	0	2,121	1,056		
Other Unused Grant Reserves	17,212	6,332	10,255		
Total Unused Grant Reserves	**30,281**	**31,032**	**28,778**		
Total Usable Reserves	**319,050**	**348,771**	**333,907**		

a - Capital Receipts Reserve

	2009/10 £000s	2010/11 £000s
Balance at 1 April	7,808	14,695
Capital receipts received in year	8,087	13,493
Paid to housing national pool	(1,200)	(1,226)
Balance at 31 March	**14,695**	**26,962**

b - Major Repairs Reserve

	2009/10 £000s	2010/11 £000s
Balance at 1 April	13,169	1,946
Contribution	13,741	13,469
Applied	(24,964)	(14,635)
Balance at 31 March	**1,946**	**780**

c - Capital Grants Unapplied Reserve

	2009/10 £000s	2010/11 £000s
Balance at 1 April	48,013	67,894
Grants received in year	199,999	204,985
Reclassified as revenue	0	(23)
Repaid	0	(512)
Transferred to Capital Adjustment Account	(180,118)	(200,225)
Balance at 31 March	**67,894**	**72,119**

Note 39. Unusable Reserves

The Council maintains a number of reserves on the Balance Sheet. Some are held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

The balances on the Council's unusable reserves were as follows:

Unusable Reserve	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s	Note
Revaluation Reserve	264,154	260,685	324,457	a
Available for Sale Financial Instruments Reserve	942	1,642	1,686	b
Pensions Reserve	(398,900)	(1,037,200)	(367,900)	c, 41
Capital Adjustment Account	1,416,312	1,329,942	1,178,583	d
Deferred Capital Receipts Reserve	411	349	589	e
Financial Instruments Adjustment Account	(5,097)	(6,221)	(6,948)	f
Collection Fund Adjustment Account	3,410	2,662	3,853	g
Short-term Accumulated Absences Account	(8,624)	(6,598)	(6,126)	h
	1,272,608	545,261	1,128,194	

a - Revaluation Reserve
The revaluetion reserve represents the level of revaluation gains net of impairments charged on the authority's fixed assets from 1 April 2007 onwards.

	2009/10 £000s	2010/11 £000s
Balance at 1 April	264,154	260,685
Revaluations	12,763	82,868
Depreciation	(11,449)	(6,635)
Not Adding to Value Impairment	(2,528)	(3,608)
Impairment Transferred to Capital Adjustment Account	(15)	0
Leased asset Revaluation Reserve to deferred liability	0	(355)
Disposals Transferred to Capital Adjustment Account	(2,240)	(8,498)
Balance at 31 March	260,685	324,457

b - Available for Sale Financial Instruments Reserve
Store of gains on revaluation of investments not yet realised through sales.

	2009/10 £000s	2010/11 £000s
Balance at 1 April	942	1,642
Increase In Financial Instruments Market Value	703	51
Decrease in Financial Instruments Market Value	(3)	(1)
Realised Gain on Sale	0	(6)
Balance at 31 March	1,642	1,686

c - Pensions Reserve
Balancing account to allow inclusion of pensions liability in the balance sheet.

	2009/10 £000s	2010/11 £000s
Balance at 1 April	(398,900)	(1,037,200)
Net Movement In Year	(638,300)	669,300
Balance at 31 March	(1,037,200)	(367,900)

The change in the pension reserve is mainly due to the change in the method of calculation of pension increases from using CPI rather than RPI (as a result of the Emergency Budget announcement in June 2010) plus the positive asset returns and falling long term inflation expectations.

d - Capital Adjustment Account (CAA)

The Capital Adjustment Account absorbs the timing differences arising from the difference arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhencement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2009/10 £000s	2010/11 £000s
Balance at 1 April	1,416,312	1,329,942
Repayment of ex GMC debt	1,163	1,400
Minimum ravenua provision	23,136	24,893
Reversal of PFI charges to HRA	3,268	(6,734)
Capital grants and contributions	133,690	139,253
Repayment of capital grants	0	512
Revenue contributions used	740	14,314
Investment property revaluations	10,684	59,523
Revaluation gain depreciation	11,449	6,635
Disposals transferred from revaluation reserve	(2,274)	(63,166)
Impairments transferred to revaluation reserve	15	0
Depreciation	(55,672)	(51,424)
Write down of intangible assets	(582)	(623)
Write down of long-term debtors	(281)	(125)
Write down revenue expenditura funded from capital under statute	(46,832)	(7,573)
Impairment of fixed assets	(164,874)	(268,244)
Balance at 31 March	**1,329,942**	**1,178,583**

e - Deferred Capital Receipts Reserve
The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of council houses under right to buy legislation but for which cash settlement has yet to take place .Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed up by cash receipts. When the deferred cash settlement aventually takes place, amounts are transferred to the Capital Receipts Reserve. The value of equity mortgages granted is also contained within this account.

	2009/10 £000s	2010/11 £000s
Balance at 1 April	411	349
Equity Mortgagas Granted	0	291
Principal Repayments	(62)	(51)
Balance at 31 March	**349**	**589**

f - Financial Instruments Adjustment Account
Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.

	2009/10 £000s	2010/11 £000s
Balance at 1 April	(5,097)	(6,221)
Soft Loans	(1,641)	(212)
Premium and discounts	426	(574)
Manchester Mortgage Corporation investment revaluation	91	59
Balance at 31 March	**(6,221)**	**(6,948)**

g - Collection Fund Adjustment Account
The Collection Fund Adjustment Accounts manages the differences arising from the recognition of council tax incoma in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the general fund from the collection fund.

	2009/10 £000s	2010/11 £000s
Balance at 1 April	3,410	2,662
Movement in Year	(748)	1,191
Balance at 31 March	**2,662**	**3,853**

h - Short-term Accumulated Absences Account
The Short-term Accumulated Absences Account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlemant carried forward at 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to and from this Account.

	2009/10 £000s	2010/11 £000s
Balance at 1 April	(8,624)	(6,598)
Movement in Year	2,026	472
Balance at 31 March	**(6,598)**	**(6,126)**

Note 40. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the Schools Finance (England) Regulations 2008. The schools budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable in 2010/11 are as follows:

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2009/10			288,141
Brought forward from 2008/09			1,636
Carry forward to 2010/11 (agreed in advance)			(1,881)
Agreed budgeted distribution in 2009/10	39,642	248,354	287,896
Actual central expenditure	39,642		
Actual ISB deployed to schools		248,354	
Local Authority contribution for 2009/10	0	0	0
Carry forward to 2010/11	**0**	**0**	**(1,881)**

The original budget for the Central Expenditure includes the following which are transferred to schools during the year.

- provisions for funding for Special Education Needs
- increases in pupil numbers
- contingencies within schools.

Note 41. Local Government Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in two pension schemes:

The Local Government Pension Scheme is a fully funded defined benefits scheme. The last triennial valuation was on 31 March 2010. Tameside MBC administer the scheme on behalf of the Greater Manchester Authorities.

In order to assess the value of the employer's liabilities in the fund at 31 March 2011, the value of employer's liabilities have been brought forward from those at the formal valuation for 31 March 2010 allowing for the different financial assumptions required under IAS 19 for the year. In calculating the service cost, changes in the pensionable payroll, as estimated from contribution information, have been allowed for. In calculating the asset share the employer's share of the assets, allocated at the latest valuation, have been rolled forward allowing for investment returns, the effect of contributions paid into and estimated benefits paid out of the fund. The employer's asset share has also been adjusted to take account of the new IAS 19 disclosure requirement to use the bid value of assets.

The estimated liability will not reflect any difference in demographic experience from that assumed, the impact of differences in salary and pension increases and changes for specific individuals and the effect of any changes in the age and length of service structure of the liabilities. In particular it would not allow for the effect of transfers of liabilities affected since the last formal valuation date. This approach will not produce any material distortions in the results provided.

The Teachers' Pension Scheme is a defined benefit scheme, administered by the Department for Children, Schools and Families. Further information is included in Note 42.

Transactions Relating to Retirement Benefits

The costs of retirement benefits in the Net Cost of Services are recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against the Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out on the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2009/10 £000s	**2010/11 £000s**
Income and Expenditure Account		
Net cost of Services:		
current service cost	28,800	56,900
past service costs	1,000	(256,400)
curtailments and settlements	400	900
Net operating expenditure:		
interest cost	122,500	149,000
expected return on assets in the scheme	(87,300)	(128,700)
Net charge to the Income and Expenditure Account	65,400	(178,300)
Statement of Movement on the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(15,800)	228,700
Actual amount charged against the General Fund Balance for the pensions in the year:		
Employers' contribution payable to scheme	**49,600**	**50,400**

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Council's liabilities in the Pension Fund by £258,600,000 and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme	
	2009/10 £000s	2010/11 £000s
Balance at 1 April	1,791,600	2,914,600
Current Service Cost	28,800	56,900
Interest Cost	122,500	149,000
Contributions by Scheme Participants	17,500	18,100
Actuarial Losses/(Gains)	1,034,700	(521,000)
Losses on Curtailments	400	900
Benefits Paid	(81,900)	(88,900)
Past Service Cost	1,000	2,200
Past Service (Credit)	0	(258,600)
Balance at 31 March	**2,914,600**	**2,273,200**

Following the change in the method of calculation of pension increases from using CPI rather than RPI The change in pension increase assumption is regarded as a change in benefits and has been shown in the Comprehensive Income and Expenditure Statement as a past service credit of £258,600,000.

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2009/10 £000s	2010/11 £000s
Balance at 1 April	1,392,700	1,877,400
Expected Rate of Return	87,300	128,700
Actuarial (Losses)/Gains	412,200	(80,400)
Employer Contributions	49,600	50,400
Contributions by Scheme Participants	17,500	18,100
Benefits Paid	(81,900)	(88,900)
Balance at 31 March	**1,877,400**	**1,905,300**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £125,300,000 (return on scheme liabilities £498,000,000 2009/10).

Scheme History

	2005-06 £000s	2006-07 £000s	2007-08 £000s	2009/10 £000s	2010/11 £000s
Present Value of Liabilities	(2,152,100)	(1,841,600)	(1,791,600)	(2,914,600)	(2,273,200)
Fair Value of Assets	1,841,500	1,694,800	1,392,700	1,877,400	1,905,300
(Deficit) in the Scheme	**(310,600)**	**(146,800)**	**(398,900)**	**(1,037,200)**	**(367,900)**

The liabilities show the underlying commitment that the authority has in the long run to pay retirement benefits. The reduced total liability of £367,900,000 has resulted in an increase in the net worth of the authority of £669,300,000 as recorded in the balance sheet resulting in a positive overall balance of £1,462,101,000.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- the deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year 31 March 2011 is £46,900,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme's assets and liabilities have been assessed by Hymans Robertson, an independent firm of actuaries.

The main assumptions used in their calculations have been:

	2009/10	2010/11
Long-term Expected Rate of Return on Assets in the Scheme:		
Equity Investments	7.8%	7.5%
Bonds	5.0%	4.9%
Other	10.6%	10.1%
Mortality Assumptions:		
Longevity at 65 for Current Pensioners		
Men	20.8 years	20.1 years
Women	24.1 years	22.9 years
Longevity at 65 for Future Pensioners		
Men	22.8 years	22.5 years
Women	26.2 years	25.0 years
Rate of Inflation (CPI)	3.8%	2.8%
Rate of Increase in Salaries	5.3%	4.3%
Rate of Increase in Pensions	3.8%	2.8%
Rate for Discounting Scheme Liabilities	5.5%	5.5%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum - Pre April 2008	50.0%	50.0%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum - Post April 2008	75.0%	75.0%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2010	31 March 2011
Equities	67.0%	66.0%
Bonds	16.0%	17.0%
Other Assets	17.0%	17.0%
	100.0%	**100.0%**

Actuarial Gains and Losses

The actuarial gains and losses identified as movements on the Pension Reserve in 2009/10 can be analysed into the following categories measured as a percentage of assets or liabilities at 31 March 2010:

	2006/07	2007/08	2008/09	2009/10	2010/11
Difference between the Expected and Actual Return on Assets	0.5%	-11.5%	-28.8%	-31.2%	-13.3%
Experience Gains / (Losses) on Liabilities	0.0%	4.7%	-0.3%	-0.3%	11.5%

Note 42. Teachers' Pension Scheme

Although the scheme is unfunded, the DCSF uses a notional fund as the basis for calculating the employer's contribution rate paid by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of the statement of accounts it is accounted for on the same basis as a defined contributions scheme. The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability described in note 41.

The pension costs charged to the accounts are at the contribution rate set by the DCSF on the basis of a notional fund. In 2010/11 the Council's contribution to the DCSF in respect of teachers' pension costs was £21,171,000 (£18,688,000 2009/10), the set contribution rate being 14.1% (14.1% 2009/10).

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with related increases. In 2010/11 these amounted to £6,460,000 (£6,732,000 2009/10) of which £1,488,000 (£1,173,000 2009/10) relates to former establishment employees and is refunded by the Higher Education Funding Council.

Note 43. Contingent Assets and Liabilities

There is the following contingent asset at the balance sheet date:

a) As part of the Plymouth Grove and Miles Platting PFI contracts the operators are able to earn income from the sale of properties. There is a profit share mechanism in place in relation to this income with the Council benefiting from a share of the profits. The scale of this profit share cannot be assessed.

There are the following contingent liabilities at the Balance Sheet date:

a) Under the Equal Pay Act 1970 as modified by the Equal Pay Act (Amendment) Regulations 2003 employees have a right to claim compensation from their employer for failing to give equal pay for work of equal value.

The majority of potential claims have been settled and provision has been made for the assessed cost of known remaining claims. This is shown within known compensation provisions in note 36. There remains the potential for some further claims but the scale of any liabilities cannot be assessed.

b) As a result of the Council receiving a distribution of proceeds from the sale of its entire shareholding in Modesole Ltd, a liability may arise, the extent of which can not yet be determined. An indemnity was given to the buyer against any future liabilities arising in Modesole prior to the date of the sale. This indemnity is limited to the value of the sale proceeds received and will last for a period of 10 years from the date of sale, which was completed on 9 August 2005.

c) In January 1994, the Council's then insurer, Municipal Mutual Insurance (MMI), made a Scheme of Arrangement with its creditors. Under this scheme claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities, a claw back clause will be triggered, which could affect claims already paid.

As at 31 March 2011 £1.062m of claims had already been paid, with outstanding claims of £2.478m.

The Greater Manchester Council's (GMC) former insurer was also MMI. As at 31 March 2011 £10.7m of claims relating to GMC had already been paid), with outstanding claims estimated at £0.025m.

GMC ceased to exist on 31 March 1986 and any residual liabilities are shared between the ten local authorities of AGMA based on the population estimated by the Registrar General on the 30th June which falls 21 months before the beginning of the financial year in which any sum recoverable falls. Stockport's share of this liability is presently 18.13%. Therefore the Council's share of the ex GMC claims paid and outstanding at 31 March 2011 are £1.945m.

As at June 2010 the MMI Annual Report and Accounts stated that the Directors are of the view that if a positive outcome can be achieved in the current litigation case a solvent run off with full payment of claims will be achieved. The litigation case is to be considered by the Supreme Court at the end of 2011 and a decision to be made possibly summer 2012.

At the present time it is not known whether the claw back clause will be invoked and therefore no provision for the potential liability has been made in the balance sheet.

Note 44. Related Party Transactions

The Statement of Recommended Practice requires the disclosure of any material transactions with related parties to ensure that stakeholders are aware that these transactions have taken place and the amount and implications of such transactions.

All material related party transactions are disclosed below:

Income	2009/10 £000s	2010/11 £000s
Central Government - revenue grants	911,480	892,115
Central Government - capital grants	235,096	197,765
Manchester Airport Plc - dividend	11,000	11,000
Manchester Airport Plc - repayment of interest	10,639	10,007
Manchester Airport Plc - net rent	5,262	6,019
Manchester Primary Care Trust	16,783	18,415
	1,190,260	**1,135,321**

Expenditure	2009/10 £000s	2010/11 £000s
Greater Manchester Integrated Transport Authority - levy	29,455	31,365
Greater Manchester Waste Disposal Authority - levy	19,656	21,592
Greater Manchester Police Authority - precept	16,263	17,653
Greater Manchester Fire and Rescue Authority - precept	6,222	6,440
Greater Manchester Pension Fund - employer's contributions	49,600	50,400
Teachers' Pension Agency - employer's contributions	18,688	21,171
Manchester Primary Care Trust	6,934	12,166
	146,818	**160,787**

Note 45. Trust Funds

The Council administered several charitable trusts, joint committees and special funds during the year, which in the main represent funds that have been put in trust to achieve specific objectives. Each body has its own board of trustees or management committee from which further information can be obtained. The contact details for each Trust can be obtained from the Corporate Services Department, Town Hall, Manchester, M60 2JR.

These funds are not Council assets and are not included in the Council's Balance Sheet but are recorded in the notes to the financial statements.

	Income £	Expenditure £	Assets £	Liabilities £	Purpose
Manchester City Council is Sole Trustee:					
Castlefield Heritage Trust	1,248	2,012	332,367	0	Castlefield Heritage Trust was established in 1996 to provide conservation maintenance and protection, for the public benefit, of areas and waterways in Manchester and Salford. This includes Castlefield and the adjacent areas to Castlefield and the Castlefield Basin.
Other Trust Funds:					
The Lord Mayor of Manchester's Charity Appeal Trust	34,521	42,085	663,026	1,130	Lord Mayor of Manchester Charity Appeal Trust provides unrestricted funds, which can be used for any charitable purpose in order to benefit the residents of Manchester, including providing holidays for needy families who reside within the City.
Manchester Immigration Needs Trust	4,972	1,594	122,293	209	Manchester Immigration Needs Trust was established in 1985 to provide financial assistance to Manchester residents who are suffering from poverty and hardship and seeking to establish a right to reside in the City. Financial assistance is provided by the payment of grants to individuals.
Manchester Safeguarding Children Board	390,598	505,249	196,768	0	Manchester Safeguarding Children Board is a statutory multi-agency board whose main functions are to co-ordinate what is done by each agency on the board for the purposes of safeguarding and promoting the welfare of children in Manchester and to ensure the effectiveness of what is done for this purpose.
Education Endowments					
Funds with Investments	0	0	10,820	0	Legacy fund where interest from the investment of the fund is used to provide future benefits.
Manchester Metropolitan University					
Funds with Investments	0	0	927	0	Legacy fund where interest from the investment of the fund is used to provide future benefits.
Simpson Memorial Foundation	0	0	4,824	0	Legacy fund where interest from the investment of the fund is used to provide future benefits.
School Bank Reserve Fund	0	0	162	0	Legacy fund where interest from the investment of the fund is used to provide future benefits.
Total	431,339	550,940	1,331,187	1,339	

Note 46. Analysis of Cash and Cash Equivalents

Cash and Cash Equivalents	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Cash in hand	501	501	204
Bank overdraft	(16,903)	(19,174)	(20,115)
Call accounts	1,752	15,684	30,970
Investments less than 3 months	4,400	1,500	54,704
Total	**(10,250)**	**(1,489)**	**65,763**

Note 47. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2009/10 £000s	2010/11 £000s
Interest received	(11,108)	(13,031)
Interest paid	42,715	46,222
Dividends received	(12,961)	(12,535)
	18,646	**20,656**

Note 48. Cash Flow Statement - Investing Activities

	2009/10 £000s	2010/11 £000s
Purchase of plant, property and equipment, investment property and intangible assets	221,600	210,739
Proceeds of plant, property and equipment, investment property and intangible assets	(6,968)	(17,366)
Capital grants received	(145,658)	(54,854)
Other receipts from investing activities	(8,272)	(8,419)
	60,702	**130,100**

Note 49. Cash Flow Statement - Financing Activities

	2009/10 £000s	2010/11 £000s
Repayments of long and short term borrowing	21,471	50,833
Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	17,487	8,898
Proceeds from short term investments	(20)	0
Cash receipts of long and short term borrowing	(51,559)	(116,083)
	(12,621)	**(56,352)**

Note 50. Post Balance Sheet Events

a) On 1 April 2011 the Greater Manchester Combined Authority (GMCA) was established. Traffic signals and related cabling with a value of £2,337,000 have been transferred to GMCA at that date. This will have the effect of reducing the value of property, plant and equipment and the capital adjustment account in the balance sheet therefore reducing the net worth of the Council.

Note 51. Authorisation for Issue of the Statement of Accounts

The 2010-10 Statement of Accounts was authorised for issue by Richard Paver, the City Treasurer on 29 June 2011. All events after the Balance Sheet date until this date have been considered for disclosure as events after the Balance Sheet date.

Housing Revenue Account (HRA) Income and Expenditure Statement

The HRA reflects a statutory obligation to account separately for council housing provision. The HRA Income and Expenditure Statement shows the major elements of HRA expenditure and how they are met from rents, subsidy and other income. The account does not reflect all of the transactions required by statute to be charged or credited to the HRA for the year. The Movement on the HRA Statement gives details of the additional transactions which are required by statute.

2009/10 £000s		Note	2010/11 £000s
	Income		
52,681	Dwelling rents (gross)		53,231
159	Non-dwelling rents (gross)		443
4,641	Charges for services and facilities		3,455
6,897	Contributions towards expenditure		7,367
20,918	HRA subsidy receivable	i	21,449
85,296			85,945
	Expenditure		
25,012	Repairs and maintenance		35,731
25,201	Supervision and management		24,144
244	Rents, rates, taxes and other charges		149
116,962	Depreciation and impairment of non current assets	f, g	192,765
317	Debt management costs		25
875	Movement in the allowance for bad debts		(224)
795	Revenue expenditure funded from capital under statute	h	654
169,406			253,244
84,110	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**167,300**
95	HRA services share of corporate and democratic core		96
42	HRA share of other amounts included in the whole authority net cost of services but not allocated to specific services		(3,349)
84,247	**Net Cost of HRA Services**		**164,047**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
94	(Gain) / Loss on disposal of HRA non current assets		1,644
18,662	Interest payable and similar charges	e	20,828
(741)	Interest and investment income		(274)
1,046	Pensions interest cost and expected return on pension assets		266
(308)	Capital grants and contributions receivable		(7,172)
103,000	**Deficit for the year on HRA services**		**179,339**

Movement on the Housing Revenue Account Statement

2009/10 £000s		Note	2010/11 £000s
(46,613)	**Balance on the HRA at the end of the previous year**		**(48,989)**
103,000	Deficit for Year on the HRA Income and Expenditure Statement		179,339
	Adjustments between accounting basis and funding basis under statute		
(4,182)	Transfer (from) Major Repairs Reserve		(3,801)
106	Difference between amounts charged to income and expenditure for premiums and discounts and the charge for the year determined in accordance with statue		(893)
0	Capital expenditure funded by the HRA		818
(94)	Gain / (Loss) on disposal of HRA non current assets		(1,644)
14	Transfer to short term accumulating absences account		7
(780)	HRA share of contribution to Pensions Reserve		2,902
(102,987)	Impairment of non current assets		(179,062)
(234)	Amortisation of intangible assets		(234)
(795)	Amortisation of Revenue Expenditure Funded from Capital under Statute		(654)
3,268	Reversal of PFI Charges		(6,734)
308	Capital grants and contributions receivable		7,172
(2,376)	Net Increase in Year on the HRA		**(2,784)**
(48,989)	**Balance on the HRA at the end of the current year**		**(51,773)**

Notes to the Housing Revenue Account

(a) Housing Stock

The Council was responsible for managing an average of 17,317 dwellings during 2010/11.

The stock at each year end was made up as follows:

	1 April 2009	31 March 2010	31 March 2011
Houses and bungalows	10,057	10,002	9,856
Flats	7,339	7,312	7,330
Others	116	105	105
	17,512	**17,419**	**17,291**

The change in stock is as follows:

	2010	2011
Stock at 1 April	17,512	17,419
Sales	(29)	(35)
Demolitions	(85)	(71)
Transfers	0	(147)
New buildings	20	123
Acquisitions	1	2
Stock at 31 March	**17,419**	**17,291**

The balance sheet value of the HRA's fixed assets was as follows:

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Council dwellings	620,348	569,264	405,950
Other land and buildings	2,448	4,132	4,019
Vehicles, plant and equipment	237	210	86
Assets under construction	0	0	68
	623,033	**573,606**	**410,123**

(b) Vacant Possession of Dwellings

The vacant possession value of dwellings within the Council's HRA at 1 April 2010 was £1,165,000,000. The difference between the vacant possession value and balance sheet value of dwellings within the HRA shows the cost of providing council housing at less than open market rents.

(c) Major Repairs Reserve

	2010 £000s	2011 £000s
Balance at 1 April	13,169	1,946
Transferred from capital adjustment account during year (equivalent to HRA depreciation)	13,741	13,469
Financing of capital expenditure on council dwellings	(20,782)	(10,834)
Transfer to the HRA	(4,182)	(3,801)
Balance at 31 March	**1,946**	**780**

(d) Capital Expenditure, Funding and Receipts

	2009/10 £000s	2010/11 £000s
Expenditure		
Council dwellings	40,720	30,687
Revenue expenditure funded from capital under statute	795	654
	41,515	**31,341**
Funded by		
Borrowing	20,324	12,209
Revenue contributions	0	818
Major repairs reserve	20,782	10,834
Government grants	401	7,400
External contributions	8	80
	41,515	**31,341**
Receipts		
Council dwellings	1,206	1,823
Other land and buildings	906	3,833
Mortgage repayments	63	52
	2,175	**5,708**

(e) Interest Charge

The interest charge on HRA debt is £20,828,000.

(f) Depreciation

	2009/10 £000s	2010/11 £000s
Property, plant and equipment		
Dwellings	13,513	13,233
Other land and buildings	110	113
Vehicles, plant and equipment	118	123
	13,741	**13,469**
Intangible assets	234	234
	13,975	**13,703**

(g) Impairment Charges

	2009/10 £000s	2010/11 £000s
Non-enhancing capital expenditure	20,617	16,379
Downward revaluation of assets	81,230	161,389
Damaged properties	1,140	1,294
	102,987	**179,062**

The main reason for the increase in impairment relating to downward valuations is the increase in the social housing discount from 52% in 2009-10 to 65% in 2010/11.

(h) Revenue Expenditure Funded From Capital Under Statute

Revenue expenditure funded from capital under statute of £654,000 (£795,000 in 2009/10) has been charged to the HRA.

(i) HRA Subsidy Payable to the Council

	2009/10 £000s	2010/11 £000s
Management allowance	12,488	13,729
Maintenance allowance	18,876	20,297
Major Repairs allowance	9,558	9,677
Charges for capital	14,420	13,639
PFI allowances	15,488	15,441
Guideline rent income	(49,884)	(51,318)
Interest on receipts	(28)	(16)
	20,918	**21,449**

(j) Contribution from the Pension Reserve

The cost of the HRA has decreased by £2,902,000 after the replacement of employer's pension contributions by current service costs and a share of the corporate items (pensions interest costs, expected return on pensions assets, past service credits, settlements and curtailments). The HRA share of the contribution to the pensions reserve is £2,902,000. The overall amount to be met from rent payers remains unchanged.

(k) Rent Arrears

	2010 £000s	2011 £000s
Arrears at 31 March	11,856	11,342

	2009/10 £000s	2010/11 £000s
Provision at 1 April	8,548	9,202
Contributions/release in year	822	(393)
Amounts written off in the year	(168)	(1,026)
Provision as at 31 March	**9,202**	**7,783**

(l) Small Scale Voluntary Transfer

As part of its strategy to achieve the decent homes standard the Council has a programme of transfers of part of its housing stock to registered social landlords. In 2010/11 the Council transferred 144 properties in a small scale voluntary transfer to registered social landlords. At the point of transfer these assets were removed from the Council's balance sheet. The difference between the value of assets on the Council's balance sheet (£5,063,000) and any capital receipt received (nil) was shown as a loss on disposal of non current assets of in the HRA in 2010/11.

This loss was reversed out through the Movement on the HRA Statement so there is no effect on the HRA.

There were no transfers in 2009/10.

Collection Fund

Income and Expenditure Account

This account reflects statutory requirements for billing authorities to maintain a separate collection fund to account for the income from council tax and business rates. This income finances payment of business rates to the national pool and the net expenditure requirements of the Council and pay precepts to the Police and Fire and Rescue Authorities.

2009/10 £000s		2010/11 £000s	
	Income		
121,361	Council Tax - net amount receivable		122,004
	Transfers from General Fund		
46,301	- Council Tax benefits		48,504
262,400	Collectable from business ratepayers		263,792
430,062			434,300
	Expenditure		
	Precepts and demands		
136,875	- Manchester City Council	138,214	
16,263	- Greater Manchester Police Authority	17,653	
6,222	- Greater Manchester Fire and Rescue Authority	6,440	
			162,307
	Business Rate		
261,295	- Payment to national pool	262,696	
1,105	- Costs of collection	1,096	
			263,792
	Bad and doubtful debts		
5,510	- Write offs		3,209
1,361	- Provisions		473
	Contribution		
2,292	- Towards previous year's estimated collection fund surplus		3,094
430,923			432,875
(861)	Movement on fund balance		1,425
3,959	Fund balance brought forward		3,098
3,098	**Fund Balance Carried Forward**		4,523

Notes to the Collection Fund Account

(a) National Non-Domestic Rates

The Council collects national non-domestic rates (NNDR) for its area on behalf of central government. These rates are based on rateable values for properties set by the Valuation Office, part of HM Revenues and Customs, which are multiplied by a uniform business rate set by central government. The NNDR for the year was set at 41.4p (48.5p for 2009/10). The total non-domestic rate at 31 March 2011 was £849,407,289 (£707,021,660 at 31 March 2010).

(b) Calculation of the Council Tax Base

For 2010/11 there were 217,750 residential properties in Manchester which were placed in one of eight valuation bands, depending on their capital value, by the Listing Officer of the government's Valuation Office. This equates to 174,136 Band D equivalents. After the application of discounts and allowances there are 132,772 equivalent Band D properties, which are used for the calculation of the tax base.

In 2010/11 the tax base was 132,772 properties. The table below shows the total number of Band D equivalent properties and the net number of properties after the application of discounts and allowances.

Valuation Band	Total Band D Equivalents	Chargeable Band D Equivalents
A	103,880	69,221
B	27,688	21,535
C	24,444	21,728
D	11,490	11,490
E	4,281	5,232
F	1,676	2,421
G	628	1,046
H	49	99
	174,136	132,772

The number of chargeable Band D equivalents for 2009/10 was 131,003.

(c) The Collection Fund surplus is split as follows

	Surplus 2009/10 £000s	Surplus 2010/11 £000s
Manchester City Council	1,977	2,657
Greater Manchester Police Authority	225	316
Greater Manchester Fire and Rescue Authority	90	121
	2,292	3,094

Manchester City Council Group Accounts

Introduction

As a modern local authority Manchester City Council often chooses to conduct activities through a variety of undertakings, either under ultimate control of or in partnership with other organisations. The standard financial statements consider the Council only as a single entity, accounting for its interests in other organisations only to the extent of its historical investment, and not current performance and balances. Thus a full picture of the Council's economic activities, financial position, service position, accountability for resources and exposure to risk is not presented in the Council's single entity financial statements. As a result, group financial statements are produced to reflect the full extent of Manchester City Council's involvement with its group undertakings in order to provide a clearer picture of the Council's activities as a group. The group accounts contain core financial statements similar to those included in the Council's single entity statements, consolidated with figures for the Council's subsidiaries and associates.

The following pages include:

- Group Comprehensive Income and Expenditure Statement
- Reconciliation of the Single Entity Deficit to the Group Deficit
- Group Balance Sheet
- Group Cash Flow Statement.

The group financial statements are presented in accordance with International Financial Reporting Standards. Where subsidiaries or associates financial statements are shown under another accounting basis (i.e. UK GAAP) their accounts have been restated to comply with IFRS. The 2009/10 financial statements have been restated to reflect amendments made to the Council's and entity financial statements.

Manchester City Council Group
Inclusion in the Manchester City Council Group is dependent upon the extent of the Council's interest and control over the entity. An assessment of all of the Council's interests has been carried out to determine which of the following categories they fall under. Where an entity is considered to be immaterial, they are not included in the group accounts.

Subsidiaries – where the Council exercises control and gains benefits / exposure to risks arising from this control. Those entities considered to be material are included in the group.

Associates – where the Council exercises a significant influence and has a participating interest. Those entities which are considered to be material are included in the group.

For each of the group entities, the group accounts include a share of their operating results, assets and liabilities. Subsidiaries are accounted for on an acquisition basis with intra-group transactions written out. Associates are accounted for by including their net operating results in the group income and expenditure account. Investments in these entities are adjusted on the balance sheet for the Council's share of their results.

Movement In Reserves Statement

This statement shows the movement in the year on the authority's single entity usable reserves and unusable reserves, aswell as the authority's share of the group reserves.

	Authority Total Usable Reserves £000s	Authority Total Unusable Reserves £000s	Authority Share Group Reserves £000s	Total Group Reserves £000s
Balance at 1 April 2009	(319,050)	(1,272,608)	(682,864)	(2,274,522)
Movement in reserves during 2009/10				
Deficit on provision of services	86,071	0	(20,088)	65,983
Other comprehensive expenditure and income				
Surplus on revaluation of property, plant and equipment	0	(10,154)	0	(10,154)
Surplus on revaluation of available for sale financial assets	0	(791)	93	(698)
Actuarial losses on pension assets/liabilities	0	622,500	46,203	668,703
Minority Interest	0	0	(16,616)	(16,616)
Other Group Losses	0	0	22,601	22,601
Total comprehensive expenditure and income	86,071	611,555	32,193	729,819
Reversal of items debited or credited to the comprehensive income and expenditure statement	(143,683)	143,683	0	1
Insertion of items not debited or credited to the comprehensive income and expenditure statement	25,926	(25,926)	0	0
Other adjustments	(61)	61	0	0
Total adjustments between accounting basis and funding basis under regulations	(117,818)	117,818	0	1
Net increase/decrease before transfers to earmarked reserves	(31,747)	729,373	32,193	729,819
Transfers (to)/from earmarked reserves	2,026	(2,026)	0	0
(Increase)/decrease in year	(29,721)	727,347	32,193	729,819
Balance at 31 March 2010	(348,771)	(545,261)	(650,671)	(1,544,703)
Movement in reserves during 2010/11				
(Surplus)/deficit on provision of services	(48,454)	0	(51,979)	(100,433)
Other Comprehensive Expenditure and Income				
Surplus on revaluation of property, plant and equipment	0	(78,906)	0	(78,906)
Surplus on revaluation of available for sale financial assets	0	(109)	0	(109)
Actuarial gains on pension assets/liabilities	0	(440,600)	9,549	(431,051)
Minority Interest	0	0	(38,115)	(38,115)
Other Group Losses	0	0	16,135	16,135
Total Comprehensive Expenditure and Income	(48,454)	(519,615)	(64,410)	(632,479)
Reversal of items debited or credited to the comprehensive income and expenditure statement	22,698	(22,698)	0	0
Insertion of items not debited or credited to the comprehensive income and expenditure statement	40,009	(40,009)	0	0
Other adjustments	139	(139)	0	(0)
Total adjustments between accounting basis and funding basis under regulations	62,846	(62,846)	0	(0)
Net increase/decrease before transfers to earmarked reserves	14,392	(582,461)	(64,410)	(632,479)
Transfers (to)/from earmarked reserves	472	(472)	0	0
(Increase)/decrease in year	14,864	(582,933)	(64,410)	(632,479)
Balance at 31 March 2011	(333,907)	(1,128,194)	(715,081)	(2,177,182)

Group Income and Expenditure Account

Restated 2009/10 Gross Expenditure £000s	Restated 2009/10 Gross Income £000s	Restated 2009/10 Net Expenditure £000s		Note	2010/11 Gross Expenditure £000s	2010/11 Gross Income £000s	2010/11 Net Expenditure £000s
			Continuing Operations				
209,103	58,648	150,455	Adult social care		199,709	48,528	151,181
11,576	7,885	3,691	Central services to the public		13,981	8,494	5,487
705,023	474,491	230,532	Education and children's services		748,302	580,221	168,081
192,711	83,414	109,297	Cultural, environmental, regulatory and planning services		223,855	64,806	159,049
308,071	365,344	(57,273)	Highways and transport services		327,845	367,067	(39,222)
552,180	436,425	115,755	Other housing services		665,151	450,409	214,742
11,227	687	10,540	Corporate and democratic core		7,645	123	7,522
48,203	(25)	48,228	Non-distributed costs		17,423	258,573	(241,150)
23,317	25,692	(2,375)	Share of operating results of associates	2	22,861	25,397	(2,536)
(419)	0	(419)	Amortisation of goodwill (subsidiaries)		(556)	0	(556)
2,060,992	**1,452,561**	**608,431**	**Cost of Services**		**2,226,216**	**1,803,618**	**422,598**
			Other Operating Expenditure				
600	3,139	(2,539)	Gain/loss on disposal of non-current assets	3	72,146	13,344	58,802
49,472	0	49,472	Levies not included in net cost of services		52,815	0	52,815
1,200	0	1,200	Payments to government housing capital receipts pool		1,226	0	1,226
51,272	**3,139**	**48,133**	**Total Other Operating Expenditure**		**126,187**	**13,344**	**112,843**
80,431	(4,364)	84,795	Financing and investment income and expenditure (less Minority Interests)	4	106,230	99,654	6,576
0	675,376	(675,376)	Taxation and non-specific grant income		(1,191)	641,259	(642,450)
2,192,695	**2,126,712**	**65,983**	**Surplus/deficit on Provision of Services**		**2,457,442**	**2,557,875**	**(100,433)**
		(10,154)	Surplus/Deficit on revaluation of property, plant and equipment				(78,906)
		(698)	Surplus/deficit on revaluation of available for sale financial assets				(109)
		668,703	Actuarial gains/losses on pension assets/liabilities				(431,051)
		(16,616)	Minority Interest				(38,115)
		22,601	Other Group Losses				16,135
		729,819	**Total Comprehensive Income and Expenditure**				**(632,479)**

Reconciliation of the Single Entity Income and Expenditure Account Deficit to the Group Income and Expenditure Account Deficit

This shows how the group entities have contributed to the overall (surplus) / deficit shown in the group income and expenditure account.

Restated 2009/10 £000s		Note	2010/11 £000s
86,071	(Surplus) / deficit on the Authority's single entity Income and Expenditure Account for the year		(48,454)
(7,835)	Distribution from group entities included in the Authority's single entity deficit on the Income and Expenditure Account	5	(8,159)
(11,159)	Add (surplus) / deficit attributable to subsidiaries	6	(42,588)
(1,095)	Add (surplus) / deficit attributable to associates	7	(1,231)
65,983	**Group Income and Expenditure Account (Surplus) / Deficit for the Year**		**(100,433)**

Group Balance Sheet

Restated 1 April 2009 £000s	Restated 31 March 2010 £000s		Note	31 March 2011 £000s	
		Long-Term Assets			
3,519,258	3,553,819	Property, Plant and Equipment	8	3,461,620	
607,246	638,638	Investment Properties	9	719,146	
(10,037)	(11,702)	Intangible Non Current Assets	10	(3,851)	
4,587	5,680	Long-term investments in subsidiaries and associates	11,12	6,912	
923	1,623	Other long-term investments		1,673	
4,506	9,089	Long-term debtors	13	11,018	
18,500	29,600	Deferred Tax Asset		12,700	
4,144,983	**4,226,747**	**Total Long-Term Assets**			**4,209,218**
		Current Assets			
3,021	3,000	Short-term investments		3,000	
8,950	2,297	Inventories		2,617	
282,396	183,851	Short-term debtors		175,810	
(688)	7,173	Cash and cash equivalents		81,456	
1,963	795	Short-term assets held for sale		795	
295,642	**197,116**	**Total Current Assets**	14		**263,678**
4,440,625	**4,423,863**	**Total Assets**			**4,472,896**
		Current Liabilities			
(34,288)	(3,508)	Short-term borrowing		(1,867)	
(317,383)	(280,820)	Short-term creditors		(318,329)	
(9,331)	(3,211)	Short-term provisions		(20,299)	
(5,611)	(8,951)	Short-term deferred liabilities		(9,971)	
(366,613)	**(296,490)**	**Total Current Liabilities**	15		**(350,466)**
4,074,012	**4,127,373**	**Total Assets Less Current Liabilities**			**4,122,430**
		Long-Term Liabilities			
(1,950)	(276)	Long-term creditors		(1,708)	
(11,153)	(17,823)	Long-term provisions		(9,853)	
(902,343)	(969,525)	Long-term borrowing		(1,071,362)	
(435,512)	(449,660)	Long-term deferred liabilities		(427,250)	
(1,212)	(841)	Capital grants receipts in advance		(801)	
(22,100)	(19,800)	Deferred capital receipts		(20,000)	
(425,220)	(1,124,745)	Pensions Liability		(414,274)	
(1,799,490)	**(2,582,670)**	**Total Long-Term Liabilities**	16		**(1,945,248)**
2,274,522	**1,544,703**	**Total Assets Less Liabilities**			**2,177,182**
		Financed by:			
319,050	348,771	Usable Reserves			333,907
1,273,263	545,898	Unusable Reserves			1,134,878
327,373	303,929	Group Income and Expenditure Reserve	17		340,736
1,919,686	**1,198,597**	**Group Balances and Reserves**			**1,809,521**
354,836	346,106	Minority Interest Reserve	18		367,661
2,274,522	**1,544,703**	**Total Net Worth**			**2,177,182**

Group Cash flow statement

2009/10 £000s		Note	2010/11 £000s
65,983	Net (surplus)/deficit on the provision of services		(100,433)
(343,523)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(210,510)
151,656	Adjustments for items included in the net surplus of deficit on the provision of services that are investing and financing activities		97,327
(125,884)	**Net cash flows from operating activities**	19	**(213,616)**
169,790	Investing activities	20	234,559
(51,767)	Financing Activities	21	(95,226)
(7,861)	**Net increase or decrease in cash and cash equivalents**		**(74,283)**
(688)	Cash and cash equivalents at the beginning of the reporting period		7,173
7,173	**Cash and cash equivalents at the end of the reporting period**		**81,456**

Notes To The Group Accounts

Note 1. Group Accounting Policies

The Group Accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom, issued in 2009 by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounting policies used in preparing the Group Accounts are generally those used by Manchester City Council in their single entity financial statements. In order to align group entities accounting policies to those used by the Council and ensure consistency of accounting treatment across the group, the following policies have been adopted:

A. Consolidation

Subsidiaries
Subsidiaries have been consolidated using the acquisition accounting basis. This is a full, line by line consolidation of the financial transactions and balances of the Council and its subsidiaries. To avoid overstating the figures within the group financial statements, all transactions and balances between members of the group (the Council and its subsidiaries) have been eliminated.

Associates
Associates have been consolidated using the equity method. An investment is brought into group balance sheet and adjusted by the Council's share in the associate's net asset movement. The Council's share of the associate's operating results for the year is included within the group income and expenditure account.

B. Fixed Assets

Fixed assets have been consolidated using the valuation basis specified by the SORP, unless the entity has a distinct class of asset that the Council does not recognise. In this case the entity's valuation basis was used.

C. International Financial Reporting Standards (IFRS)

The Council now produces its financial statements in accordance with IFRS. Where UK GAAP is still being used by group entities, their financial statements are adjusted to reflect IFRS where any changes have a material effect on the presentation of the group financial statements.

D. Financial Guarantees

Financial guarantees between the Council and entities included in the group accounts are disclosed below:

ALMO: Northwards Housing Ltd
The company is limited by guarantee. The Council is the only member and is required to contribute £1 in the event of the company being wound up.

The table below is a reconciliation of the Group's total Comprehensive Income and Expenditure under UKGAAP to that reported under IFRS for the year ended 31 March 2010.

	Net Expenditure			
	Restated* UKGAAP 31 March 2010	Effect of transition to IFRS		IFRS 31 March 2010
		Single Entity Adjustments	Group Adjustments	
	£000s	£000s	£000s	£000s
Continuing Operations				
Adult social care	149,714	741	0	150,455
Central services to the public	2,077	1,614	0	3,691
Education and children's services	217,119	13,413	0	230,532
Court Services	1,689	(1,689)	0	0
Cultural, environmental, regulatory and planning services	113,590	(4,293)	0	109,297
Highways and transport services	(31,174)	(24,899)	(1,200)	(57,273)
Housing Services	100,875	14,880	0	115,755
Exceptional items (including subsidiaries and associates)	10,600		(10,600)	0
Corporate and democratic core	10,638	(98)	0	10,540
Non-distributed costs	38,637	9,591	0	48,228
Share of operating results of associates	(2,375)	0	0	(2,375)
Amortisation of goodwill (subsidiaries)	(419)	0	0	(419)
Net Cost of Services	**610,971**	**9,260**	**(11,800)**	**608,431**
Other Operating Expenditure				
Levies not included in net cost of services	0	49,472	0	49,472
Payments to government housing capital receipts pool	1,200	0	0	1,200
(Gain) / Loss on disposal of fixed assets	(3,378)	839	0	(2,539)
(Surplus) on trading undertakings not included in net cost of services	(7,959)	18,959	0	11,000
Interest Payable and Similar Charges	56,453	(43,378)	0	13,075
Interest and investment Income	43	10,631	0	10,674
Pensions interest cost and expected return on pension assets	46,728	(35,200)	(1,200)	10,328
Share of corporation tax (subsidiaries)	8,986	0	0	8,986
Share of corporation tax (associates)	801	0	0	801
Share of minority interest	5,175	0	11,430	16,605
Total Other Operating Expenditure	**108,049**	**1,323**	**10,230**	**119,602**
Financing and investment income and expenditure (less Minority Interests)	0	25,727	(12,400)	13,327
Income from Council Tax payers	(138,104)	138,104	0	0
General government grants	(131,345)	131,345	0	0
Distribution from non domestic rate pool	(273,032)	273,032	0	0
Taxation and non-specific grant income	0	(675,376)	0	(675,376)
Surplus/deficit on Provision of Services	**176,539**	**(96,585)**	**(13,970)**	**65,983**
Surplus/Deficit on revaluation of property, plant and equipment	(162,014)	9,960	141,900	(10,154)
Surplus/deficit on revaluation of available for sale financial assets	(698)	0	0	(698)
Actuarial gains/losses on pension assets/liabilities	668,703	0	0	668,703
Minority interest	(5,186)	0	(11,430)	(16,616)
Other group losses	11,301	0	11,300	22,601
Total Comprehensive Income and Expenditure	**688,645**	**(86,625)**	**127,800**	**729,819**

*The 31 March 2010 UKGAAP figures have been restated to reflect the reduction in the number of companies consolidated into the group accounts.
WRITE SOMETHING TO EXPLAIN WHAT THE GROUP IFRS ADJUSTMENTS RELATE TO

The table below is a reconciliation of the Group's Net Worth reported under UKGAAP to that reported under IFRS at the 1 April 2009 transition date.

	UKGAAP 31 March 2009 £000s	Effect of transition to IFRS Single Entity Changes £000s	Group Changes £000s	IFRS 1 April 2009 £000s
Long-Term Assets				
Property, Plant and Equipment	0	2,271,180	1,248,078	3,519,258
Council dwellings	620,541	(620,541)	0	0
Other land and buildings	1,521,339	(1,093,766)	(427,573)	0
Vehicles, plant, furniture and equipment	258,258	(3,453)	(254,805)	0
Infrastructure assets	858,148	(327,648)	(530,500)	0
Community assets	16,621	(16,621)	0	0
Investment properties	605,545	1,701	0	607,246
Assets under construction	53,455	(18,755)	(34,700)	0
Suplus assets held for disposal	193,379	(193,379)	0	0
Intangible Fixed Assets	(10,037)	0	0	(10,037)
Long-term assets held for sale	0	0	0	0
Long-term investments in subsidiaries and associates	4,587	0	0	4,587
Other long-term investments	923	0	0	923
Long-term Debtors	3,721	2,453	(1,668)	4,506
Deferred tax asset	0		18,500	18,500
Total Long-Term Assets	**4,126,480**	**1,171**	**17,332**	**4,144,983**
Current Assets				
Short-term investments	9,173	(6,152)	0	3,021
Inventories	8,950	0	0	8,950
Short-term debtors	281,192	(2,453)	3,657	282,396
Cash and cash equivalents	10,163	(10,751)	(100)	(688)
Short-term assets held for sale	0	1,963	0	1,963
Total Current Assets	**309,478**	**(17,393)**	**3,557**	**295,642**
Total Assets	**4,435,958**	**(16,222)**	**20,889**	**4,440,625**
Current Liabilities				
Bank overdraft	(17,003)	16,903	100	0
Short-term borrowing	(30,631)	0	(3,657)	(34,288)
Short-term creditors	(343,557)	21,374	4,800	(317,383)
Short-term provisions	(241)	(9,090)	0	(9,331)
Short-term deferred liabilities	0	(5,611)	0	(5,611)
Total Current Liabilities	**(391,432)**	**23,576**	**1,243**	**(366,613)**
Total Assets Less Current Liabilities	**4,044,526**	**7,353**	**22,132**	**4,074,012**
Long-Term Liabilities				
Long-term creditors	0	(1,950)	0	(1,950)
Long-term provisions	(20,243)	9,090	0	(11,153)
Long-term borrowing	(904,011)	0	1,668	(902,343)
Long-term deferred liabilities	(304,921)	5,009	(135,600)	(435,512)
Government grants deferred	(325,627)	324,972	655	0
Grants and contributions unapplied	(49,225)	49,225	0	0
Capital grants receipts in advance	0	(1,212)	0	(1,212)
Deferred capital receipts	(22,511)	411	0	(22,100)
Pensions liability	(381,820)	0	(43,400)	(425,220)
Total Long-Term Liabilities	**(2,008,358)**	**385,545**	**(176,677)**	**(1,799,490)**
Total Assets Less Liabilities	**2,036,168**	**392,899**	**(154,545)**	**2,274,522**
Financed by:				
Capital adjustment account	1,063,162	(1,063,162)	0	0
Financial instruments adjustment account	(5,097)	5,097	0	0
Collection fund adjustment account	3,410	(3,410)	0	0
Revaluation reserve	292,253	(292,253)	0	0
Pensions reserve	(398,900)	398,900	0	0
Capital receipts reserve	7,808	(7,808)	0	0
Available for sale financial instruments reserve	942	(942)	0	0
Major repairs reserve	13,169	(13,169)	0	0
General fund reserve	26,263	(26,263)	0	0
Housing revenue account reserve	46,613	(46,613)	0	0
Home loans reserve	5,908	(5,908)	0	0
Other revenue reserves	143,228	(143,228)	0	0
Usable Reserves	0	319,050	0	319,050
Unusable Reserves	0	1,272,608	655	1,273,263
Group Revaluation Reserve	269,665		(269,665)	0
Group Income and Expenditure Reserve	143,068		184,305	327,373
Minority Interest Reserve	424,676		(69,840)	354,836
Total Net Worth	**2,036,168**	**392,899**	**(154,545)**	**2,274,522**

The table below is a reconciliation of the Council's Net Worth reported under UKGAAP to that reported under IFRS at the 31 March 2010.

	UKGAAP 31 March 2010 £000s	Effect of transition to IFRS Single Entity Changes £000s	Group Changes £000s	IFRS 31 March 2010 £000s
Long-Term Assets				
Property, Plant and Equipment	0	2,290,865	1,262,954	3,553,819
Council dwellings	569,264	(569,264)	0	0
Other land and buildings	1,680,088	(1,128,403)	(551,685)	0
Vehicles, plant, furniture and equipment	122,678	(12,159)	(110,519)	0
Infrastructure assets	905,534	(337,734)	(567,800)	0
Community assets	22,585	(22,585)	0	0
Investment Properties	636,637	2,001	0	638,638
Assets under construction	67,797	(35,497)	(32,300)	0
Suplus assets held for disposal	183,428	(183,428)	0	0
Intangible Fixed Assets	(10,645)	0	(1,057)	(11,702)
Long-term assets held for sale	0	0	0	0
Long-term investments in subsidiaries and associates	5,699	0	(19)	5,680
Other long-term investments	1,628	0	(5)	1,623
Long-term debtors	4,574	4,515	0	9,089
Deferred tax asset	0	0	29,600	29,600
Total Long-Term Assets	**4,189,267**	**8,311**	**29,169**	**4,226,747**
Current Assets				
Short-term investments	20,185	(17,185)	0	3,000
Inventories	1,297	0	1,000	2,297
Short-term debtors	188,942	(4,513)	(578)	183,851
Cash and cash equivalents	9,454	(1,989)	(292)	7,173
Short-term assets held for sale	0	795		795
Total Current Assets	**219,878**	**(22,892)**	**130**	**197,116**
Total Assets	**4,409,145**	**(14,581)**	**29,299**	**4,423,863**
Current Liabilities				
Bank overdraft	(19,474)	19,174	300	0
Short-term borrowing	(3,508)	0	0	(3,508)
Short-term creditors	(300,744)	19,047	877	(280,820)
Short-term provisions	0	(2,970)	(241)	(3,211)
Short-term deferred liabilities	0	(8,951)	0	(8,951)
Total Current Liabilities	**(323,726)**	**26,300**	**936**	**(296,490)**
Total Assets Less Current Liabilities	**4,085,419**	**11,719**	**30,235**	**4,127,373**
Long-Term Liabilities				
Long-term creditors	0	(276)	0	(276)
Long-term provisions	(21,035)	2,971	241	(17,823)
Long-term borrowing	(969,525)	0	0	(969,525)
Long-term deferred liabilities	(195,745)	4,385	(258,300)	(449,660)
Government grants deferred	(393,121)	392,484	637	0
Grants and contributions unapplied	(68,734)	68,734	0	0
Capital grants receipts in advance	0	(841)	0	(841)
Deferred capital receipts	(21,049)	349	900	(19,800)
Pensions liability	(1,066,845)	0	(57,900)	(1,124,745)
Total Long-Term Liabilities	**(2,736,054)**	**467,806**	**(314,422)**	**(2,582,670)**
Total Assets Less Liabilities	**1,349,365**	**479,525**	**(284,187)**	**1,544,703**
Financed by:				
Capital adjustment account	898,596	(898,596)	0	0
Financial instruments adjustment account	(6,221)	6,221	0	0
Collection fund adjustment account	2,662	(2,662)	0	0
Revaluation reserve	299,522	(299,522)	0	0
Pensions reserve	(1,037,200)	1,037,200	0	0
Capital receipts reserve	14,695	(14,695)	0	0
Available for sale financial instruments reserve	1,642	(1,642)	0	0
Major repairs reserve	1,946	(1,946)	0	0
General fund reserve	23,026	(23,026)	0	0
Housing revenue account reserve	48,989	(48,989)	0	0
Home loans reserve	5,827	(5,827)	0	0
Other revenue reserves	161,024	(161,024)	0	0
Usable Reserves	0	348,771	0	348,771
Unusable Reserves	0	545,262	635	545,897
Group Revaluation Reserve	237,105	0	(237,105)	0
Group Income and Expenditure Reserve	224,296	0	79,633	303,929
Minority Interest Reserve	473,456	0	(127,350)	346,106
Total Net Worth	**1,349,365**	**479,525**	**(284,187)**	**1,544,703**

Note 2. Share of Operating Results

This shows the percentage share of operating results of Associates included in the group. The share of operating results of subsidiaries are included within the service gross income/expenditure that they relate to.

Note 3. Disposal of Non-Current Assets

This figure represents the (gain)/loss on the disposal of non-current assets by the group as follows:

	2009/10 £000s	2010/11 £000s
Manchester City Council	(3,139)	58,402
Manchester Airport Plc	600	400
Total	(2,539)	58,802

Note 4. Financing and Investment Income and Expenditure

The table below analyses the figures included in the Comprehensive Income and Expenditure Statement.

	2009/10 £000s	2010/11 £000s	Note
Interest payable on debt	45,937	66,749	a
Interest element of finance leases (lessee)	247	238	
Interest payable on PFI unitary payments	10,361	0	
Pensions interest costs	133,854	114,137	b
Expected return on pension assets	(88,326)	(130,308)	c
Investment Interest income	42	(2,567)	
Investment Properties Impairment	11,860	15,033	
Change in fair value of investment properties	(34,945)	(72,521)	
Gains/losses on disposal of investment properties	0	400	
Dividends receivable	(12,961)	(1,535)	
(Gain) / loss on trading accounts (not applicable to a service)	11,155	204	
Rentals received on investment properties	(20,223)	(20,215)	
Expenses incurred on investment properties	1,402	1,811	
Share of Corporation Tax (Subsidiaries)	8,986	(3,954)	
Share of Corporation Tax (Associates)	801	990	
Minority Interest	16,605	38,114	d
Total financing and investment income and expenditure	**84,795**	**6,576**	

a. Interest Payable

These figures represent the actual external interest payable by the group as follows:

	2009/10 £000s	2010/11 £000s
Manchester City Council	32,962	49,223
Manchester Airport Plc	12,000	16,300
Destination Manchester Ltd	969	1,226
NCP Manchester Ltd	6	0
Total	45,937	66,749

b. Pensions Interest Costs

These figures represent the pension interest costs by the group as follows:

	2009/10 £000s	2010/11 £000s
Manchester City Council	122,500	149,000
Manchester Airport Plc	8,800	(35,000)
Destination Manchester Ltd	89	133
Northwards Housing Ltd	1,979	(319)
Manchester Working Ltd	486	323
Total	133,854	114,137

c. Expected Return on Pension Assets

These figures represent the expected return on pension assets by the group as follows:

	2009/10 £000s	2010/11 £000s
Manchester City Council	(87,300)	(128,700)
Northwards Housing Ltd	(1,026)	(1,608)
Total	(88,326)	(130,308)

d. Minority Interests

This relates to the 5% minority shareholdings held by each of the other nine Greater Manchester district councils' in Manchester Airport Plc.

Note 5. Exclusion of Distributions from Group Entities Included in Manchester City Council's Single Entity Accounts

This figure represents the related party transactions between the Council and its subsidiaries during the year which have been removed from the group income and expenditure account on consolidation.

	2009/10 £000s	2010/11 £000s
Payments		
Manchester Mortgage Corporation Plc	5	6
Northwards Housing Ltd	27,264	26,442
	27,269	26,448
Receipts		
Destination Manchester Ltd	1,315	2,605
Manchester Airport Plc	13,805	11,770
Manchester Mortgage Corporation Plc	4	4
Northwards Housing Ltd	4,310	3,910
	19,434	18,289
Total Excluded	(7,835)	(8,159)

Note 6. (Surplus) / Deficit Attributable to Subsidiaries

This figure represents the total group (surplus)/deficit attributable to Manchester City Council's subsidiaries including the adjustments made for intra group transactions as follows:

	2009/10 £000s	2010/11 £000s
Destination Manchester Ltd	(1,471)	(2,766)
Manchester Airport Plc	(34,100)	(58,355)
Manchester Mortgage Corporation Plc	(91)	(57)
Northwards Housing Ltd	24,503	18,590
Total	(11,159)	(42,588)

Note 7. (Surplus) / Deficit Attributable to Associates

This figure represents the total (surplus) / deficit attributable to Manchester City Council's Associates as follows:

	2009/10 £000s	2010/11 £000s
Manchester Working Ltd	(72)	(569)
NCP Manchester Ltd	(1,023)	(662)
Total	(1,095)	(1,231)

Note 8. Property Plant and Equipment

Movements on tangible fixed assets in the group during 2010/11 were as follows:

	Property, Plant and Equipment							
	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	Total £000s
Movement in 2010/11								
Gross book value brought forward	669,161	1,942,288	454,165	1,210,418	22,634	67,797	186,909	4,553,372
Accumulated depreciation and impairment brought forward	(99,897)	(261,646)	(327,298)	(304,884)	(50)	0	(5,779)	(999,554)
Net book value brought forward	569,264	1,680,642	126,867	905,534	22,584	67,797	181,130	3,553,818
Additions	36,781	62,180	8,067	20,497	2,030	106,005	32,875	268,435
Revaluations recognised in revaluation reserve	(232)	82,376	726	0	0	0	0	82,870
Revaluations recognised in deficit on the provision of services	(161,388)	(59,971)	(2,526)	0	0	0	(2,257)	(226,142)
Derecognition - disposals	(5,951)	(59,317)	0	0	0	0	(3,818)	(69,086)
Derecognition - components	(1,068)	(17)	0	0	0	0	0	(1,085)
Transferred from held for sale	0	(30)	0	0	0	0	(1,510)	(1,540)
Other transfers	(544)	(41,846)	21,660	4,308	0	13,021	2,872	(529)
Other movements in cost or valuation - newly recognised leases	0	0	2,946	0	0	0	0	2,946
Depreciation	(13,233)	(38,782)	(36,898)	(28,022)	(16)	(400)	(92)	(117,443)
Impairments	(17,673)	(6,008)	(15)	0	0	0	(3,322)	(27,018)
Impairments covered by the revaluation reserve	(6)	(3,602)	0	0	0	0	0	(3,608)
Net book value carried forward as at 31 March 2011	405,950	1,615,626	120,827	902,317	24,598	186,423	205,878	3,461,618
Gross book value carried forward	595,191	1,905,389	444,964	1,217,457	24,666	193,614	218,964	4,600,245
Accumulated depreciation and impairment carried forward as at 31 March 2011	(189,241)	(289,763)	(324,136)	(315,140)	(68)	(7,191)	(13,086)	(1,138,625)
Net book value carried forward as at 31 March 2011	405,950	1,615,626	120,828	902,317	24,598	186,423	205,878	3,461,620

Movements on tangible fixed assets in the group during 2009/10 were as follows:

	Property, Plant and Equipment							
	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	Total £000s
Movement in 2009/10								
Gross book value brought forward	700,699	1,780,362	568,782	1,091,736	16,663	53,455	200,683	4,412,380
Accumulated depreciation and impairment brought forward	(80,351)	(258,285)	(310,396)	(233,588)	(41)	0	(10,461)	(893,122)
Net book value brought forward	620,348	1,522,077	258,386	858,148	16,622	53,455	190,222	3,519,258
Additions	66,274	90,406	8,211	17,179	6,337	82,942	45,157	316,507
Revaluations recognised in revaluation reserve	75	10,098	356	0	0	0	1,358	11,887
Revaluations recognised in deficit on the provision of services	(67,398)	(6,250)	0	0	0	0	(1,033)	(74,681)
Derecognition - disposals	(662)	(2,148)	(400)	0	0	0	(15,755)	(18,965)
Other transfers	(680)	72,422	(113,377)	103,006	(366)	(68,600)	(38,632)	(46,227)
Other movements in cost or valuation - newly recognised leases	0	0	7,392	0	0	0	0	7,392
Depreciation	(13,489)	(47,115)	(32,301)	(25,199)	(9)	0	(112)	(118,225)
Impairments	(35,152)	43,540	(1,400)	(47,600)	0	0	(43)	(40,655)
Impairments covered by the revaluation reserve	(52)	(2,388)	0	0	0	0	(32)	(2,472)
Net book value carried forward as at 31 March 2010	569,264	1,680,642	126,867	905,534	22,584	67,797	181,130	3,553,819
Gross book value carried forward	669,161	1,942,288	454,165	1,210,418	22,634	67,797	186,909	4,553,372
Accumulated depreciation and impairment carried forward as at 31 March 2010	(99,897)	(261,646)	(327,298)	(304,884)	(50)	0	(5,779)	(999,554)
Net book value carried forward as at 31 March 2010	569,264	1,680,642	126,867	905,534	22,584	67,797	181,130	3,553,819

Note 9. Investment Properties

The following table summarises the movement in the fair value of investment properties over the year:

	Single Entity £000s	Manchester Airport Plc £000s	Total Group £000s
Net book value brought forward	**302,746**	**304,500**	**607,246**
Movement in 2009/10			
Expenditure	4,907	6,000	10,907
Disposals	0	0	0
Reclassifications	43,527	2,700	46,227
Depreciation	(6)	0	(6)
Revaluations	22,543	12,400	34,943
Impairments previously charged to revaluation reserve	(11,860)	0	(11,860)
Other impairments	(48,819)	0	(48,819)
Net book value carried forward as at 31 March 2010	**313,038**	**325,600**	**638,638**
Movement in 2010/11			
Expenditure	21,895	1,000	22,895
Disposals	(4)	(400)	(404)
Reclassifications	4,928	(4,400)	528
Depreciation	0	0	0
Revaluations	59,523	13,000	72,523
Impairments	(15,034)	0	(15,034)
Net book value carried forward as at 31 March 2011	**384,346**	**334,800**	**719,146**

Note 10. Intangible non current assets

£15,635,000 negative goodwill relating to Destination Manchester Limited (£13,010,000 at 31 March 2010).
£10,000,000 goodwill relating to Manchester Airport Plc (nil at 31 March 2010).

Note 11. Long-term Investments

The following amounts have been taken out of the Council's long-term investments as they relate to companies within the group:

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Manchester Airport Plc	112,354	112,354	112,354
Destination Manchester Ltd	2,700	10,200	10,200
Manchester Mortgage Corporation Plc	5,691	5,782	5,841
National Car Parks Manchester Ltd	1,103	1,103	1,103
Total	**121,848**	**129,439**	**129,498**

12. Investments in Associates

This figure includes the Council's investment in its Associates:

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Manchester Working Ltd	944	1,015	1,585
National Car Parks Manchester Ltd	2,539	3,562	4,224
Total	**3,483**	**4,577**	**5,809**

13. Long-term Debtors

The following amounts have been taken out of the Council's long-term debtors as they relate to companies within the group:

- Manchester Airport Plc: £83,195,000 (£83,195,000 2009/10) outstanding loans owed to Manchester City Council
- Destination Manchester Ltd: £21,943,000 (£23,157,000 2009/10) outstanding loans owed to Manchester City Council.

14. Current Assets

The current assets figure includes the assets of the Council's subsidiary undertakings totalling £55,755,000 (£41,035,000 2009/10).

15. Current Liabilities

The current liabilities figure includes the liabilities of the Council's subsidiary undertakings totalling £121,872,000 (£114,463,000 2009/10).

16. Long-term Liabilities

The long-term liabilities figure includes the long-term liabilities of the Council's subsidiary undertakings totalling £610,739,000 (£648,775,000 2009/10).

17. Group Reserves

	1 April 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Group Income and Expenditure Reserve			
Subsidiaries	324,993	300,454	336,030
Associates	2,380	3,475	4,706
Total	**327,373**	**303,929**	**340,736**

18. Minority Interest Reserve

This relates to the share of group entity reserves held by minority interests:

- 5% minority shareholdings held by each of the other nine Greater Manchester district councils' in Manchester Airport Plc

Note 19. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2009/10 £000s	2010/11 £000s
Interest received	(610)	(3,317)
Interest paid	55,884	66,729
	55,274	**63,412**

Note 20. Cash Flow Statement - Investing Activities

	2009/10 £000s	2010/11 £000s
Purchase of plant, property and equipment, investment property and intangible assets	314,493	293,767
Proceeds of plant, property and equipment, investment property and intangible assets	(6,968)	(17,366)
Capital grants received	(145,658)	(54,854)
Other receipts from investing activities	(8,272)	(8,419)
Equity dividends paid	7,039	7,465
Taxation	9,157	13,966
	169,790	**234,559**

Note 21. Cash Flow Statement - Financing Activities

	2009/10 £000s	2010/11 £000s
Repayments of long and short term borrowing	(11,929)	14,833
Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	21,287	10,798
Proceeds from short term investments	(20)	0
Cash receipts of long and short term borrowing	(53,605)	(120,857)
Issue of share capital (subsidiaries)	(7,500)	0
	(51,767)	**(95,226)**

Audit Status

The City Council's accounts are subject to audit in accordance with the Audit Commission Act 1998 (formerly part of the Local Government Finance Act 1982) and the Code of Audit Practice.

GLOSSARY OF FINANCIAL TERMS

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

Agency Services

Services that are performed by or for another authority or public body, where the authority responsible for the service reimburses the authority carrying out the work for the cost of that work.

Amortisation

A charge to the comprehensive income and expenditure statement spread over a number of years.

Assets

Items of worth that are measurable in terms of value. Current assets are ones that may change in value on a day-to-day basis (ie. stocks). Non current assets are assets that yield benefit to the Council for a period of more than one year (ie. land).

Balances

The reserves of the Council, which include the accumulated surplus of income over expenditure.

Capital Expenditure

Expenditure on the acquisition or enhancement of property, plant and equipment that have a long-term value to the Council. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own property, plant and equipment.

Capital Receipts

Money received from the sale of property, plant and equipment or repayment of a capital advance.

Collection Fund

The fund maintained by the Council into which are paid the amounts of Council Tax and National Non-Domestic Rates that it collects and out of which are to be paid precepts issued by precepting authorities, its own demands and payments into the NNDR pool.

Community Assets

These are assets that the Council intends to hold in perpetuity, which have no determinable finite useful life and may have restrictions on their disposal (e.g. parks).

Contingent Assets

Sums due from individuals or organisations that may arise in the future but which cannot be determined in advance.

Contingent Liabilities

Sums due to individuals or organisations that may arise in the future but which cannot be determined in advance.

Corporate and Democratic Core

This comprises the activities that all local authorities engage in because they are elected multi-purpose authorities. The cost of these activities is over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services.

Creditors

Amounts owed by the Council for goods and services provided by the balance sheet date, where payment has not been made at that date.

Current Service Cost

The increase in present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current financial year.

Curtailments

For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces the accrual of defined benefits for a number of employees for some or all of their future service.

Debtors

Sums of money owed to the Council at the balance sheet date but not received at that date.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciated Replacement Cost

A method of valuation that provides a proxy for the market value of specialist properties.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of property, plant and equipment.

Exceptional Items

Material items which derive from effects or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Return on Pension Assets

For a funded defined benefit pension scheme, the average return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Expenditure

Amounts paid by the Council for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment - expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arms length transaction.

Fees and Charges

Income arising from the provision of services, e.g. the use of leisure facilities.

Finance Lease

A finance lease is one that transfers substantially all the risks and rewards of ownership of items of property, plant and equipment to a lessee.

General Fund

The total services of the Council except for the Housing Revenue Account and the Collection Fund. Council Tax, Government Grants and NNDR meet the net cost of this.

Impairment

A reduction in the value of a property, plant and equipment below its carrying amount in the balance sheet.

Income

Amounts due to the Council for goods supplied or services rendered of either a capital or revenue nature. This does not necessarily involve cash being received - income is deemed to have been earned once the goods or services have been supplied even if the cash has not been received.

Infrastructure Assets

These are inalienable assets, expenditure on which is recoverable only by continued use of the asset created. Examples of such assets are highways and footpaths.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Financial Reporting Standards (FRS)

These are statements prepared by the International Accounting Standards Board to ensure consistency in accountancy matters. Many of these standards now apply to local authorities and any departure from these must be disclosed in the published accounts.

Inventory

Raw materials and consumable items the Council has purchased to use on a continuing basis and has not used by the end of the financial year.

Investment Properties

These are property or land that is held solely to earn rentals or for capital appreciation or both.

Liabilities

Amounts due to individuals or organisations that will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Long-term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or service where the time taken to complete the contract is such that the contract activity falls into different accounting periods.

Minimum Revenue Provision (MRP)

This is the amount that is charged to an authority's Movement in Reserves Statement each year and set aside as a provision for credit liabilities.

National Non-Domestic Rate (NNDR)

All non-domestic properties have been valued and the Government determines a national rate poundage each year, which is payable to all local authorities. Local authorities collect the national non-domestic rate but the proceeds are pooled and distributed by the Government.

Operating Lease

A lease other than a finance lease.

Past Service Cost

For a defined benefit pension scheme, the increase in present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Past Service Credit

For a defined benefit pension scheme, the decrease in present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or reductions, in retirement benefits.

Precept

The amount levied by the various joint authorities (e.g. police authority), which is collected by the Council on their behalf.

Provisions

These are sums set aside to meet liabilities or losses that have been incurred but where the amount and/or timing of such costs are uncertain.

Public Works Loan Board (PWLB)

A Government agency that lends money to local authorities. Local authorities are able to borrow some or all of their requirements to finance capital expenditure from this source.

Residual Value

The net realisable value of property, plant or equipment at the end of its useful life.

Reserves

These are sums set aside to meet possible future costs where there is no certainty about whether or not these costs will be incurred.

Revenue Contributions

The method of financing capital expenditure directly from revenue.

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

These are items of capital expenditure that do not result in, or remain matched by, the Council's property, plant and equipment.

Revenue Support Grant (RSG)

A grant paid by the Government to each local authority to help to finance its general expenditure.

Settlement

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligations and the assets used to effect the settlement.

MANCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

1. Manchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Manchester City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

2. In discharging this overall responsibility Manchester City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

3. Manchester City Council adopted a code of corporate governance in June 2008 which is incorporated in the Constitution published in May 2010, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* This statement will explain how Manchester City Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an annual governance statement ("AGS") that accompanies the annual accounts.

The Purpose of the Governance Framework

4. The governance framework comprises the systems and processes, and cultures and values, by which the authority is directed and controlled and through which it accounts to, engages with and where appropriate leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

5. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Manchester City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

6. Manchester City Council has been working to its Code of Corporate Governance for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Statement of Accounts.

The Governance Framework

7. The Nolan Committee Report published in May 1995 set out seven principles of conduct which should underpin public life: selflessness; integrity; objectivity; accountability; openness; honesty; and leadership. Good corporate governance incorporates these principles and requires local authorities to carry out their functions in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity.

8. The Council's commitment is to foster a culture of behaviour based on shared values, ethical principles and good conduct. Our vision is that Manchester will be a world class city with a larger population that is wealthier, living longer, healthier, happier lives in communities that are diverse and cohesive. We strongly believe that good governance enables us to pursue this vision in the most effective way.

   The Council's governance arrangements have been reviewed against the following key parts of Manchester's Code of Corporate Governance:
   - Focus on the Council's purpose and community needs, including making the best use of resources;
   - Having clear responsibilities and arrangements for accountability;
   - Good conduct and behaviour of members and officers;
   - Informed, transparent decision making which is subject to effective scrutiny and risk management;
   - Development of the capacity and capability of members and officers to be effective; and
   - Engagement with local people and other stakeholders to ensure robust public accountability

Context of 2011 AGS

9. This year's AGS has been prepared in a very different environment compared to that prevailing at the time of the Council's last review of its governance arrangements in 2010. There have been some significant national policy changes (some of which are still being formulated) such as the Localism Bill, the abolition of the Comprehensive Area Assessments, NHS reform and the changing role of the third sector. These changes have a direct impact on governance arrangements and we are still working through the practicalities of these actions. The most significant change however arises from the financial settlement announced in December 2010.

10. A service transformation programme was underway before the announcement of the final settlement but the pace and scale of change required to deliver the priorities for the Council and the City, within available resources and some reductions in service, will result in fundamental changes in the way in which the Council is organised and services are delivered. The impact of this transformation process is being felt as more than 2,000 people leave the Council through the large scale voluntary early retirement / voluntary severance process. The implementation of changes to deliver savings whilst achieving priorities is the key risk to the Council during 2011/12 and will be managed by appropriate governance arrangements (for example, monthly budgetary groups and a monthly budget (Strategic Management Team) meeting).

11. The business planning process has therefore been somewhat different this year. Pre-financial settlement, the Council had begun to consider the likely resources

available and had been through a review process with SMT officers to consider the robustness of budgets (i.e. this is the "normal" business planning process). Post financial settlement in December, it was apparent that funding reductions for Manchester were greater than anticipated. As such, there were additional member review sessions and regular SMT meetings. Business plans underpinned by delivery plans setting out how and when savings would be achieved were approved by Members in March. A monitoring process beyond the "normal" performance monitoring is in place given the critical nature of delivering the targeted savings (outlined below) – this will be supported by the new performance management framework that is under development.

12. This process has resulted in the adoption of a balanced budget by the Council for 2011/12 (including a financial resilience assessment reviewing the level of reserves and assurance over risks) and a well developed and fully integrated medium term financial strategy for the organisation over the next two years when the next Comprehensive Spending Review will occur.

13. However in view of the fact that many of the budget proposals were still subject to consultation, EIAs or further legal processes, the monitoring of performance against delivery plans to ensure the maintenance of a balanced budget is critical during 2011/2012 and will be undertaken through:

    - Four directorate groups (Adult Services, Children's Services, Neighbourhood Services and the Corporate Core);
    - The review of cross-cutting themes, issues from other groups and the Manchester Investment Fund;
    - An additional monthly SMT meeting to review the budget, overall staffing reductions and progress on delivery plans;
    - An officer core group which will support all of the above, comprising representatives of finance, performance, legal services, transformation, ICT, property and HR/OD;
    - Directorate and cross-cutting boards, which currently exist and will continue to provide directorate governance for delivery plans;
    - Work to engage the Wider Leadership Team in their role in delivering the Transformation Programme and the Budget

Focus on the Council's Purpose and Community Needs

14. The Council has a clear ambition for the city and the sub-region, recognising that their economic growth and success is key to ensuring the greatest opportunities for its residents. As such the Council plays a leading strategic role at a sub-regional level, working in partnership with other Greater Manchester authorities to align vision, priorities and resources, recognising the fact that Greater Manchester is a single economic area. The key achievements in the year were the creation of the Greater Manchester Combined Authority (the GMCA) and the Local Economic Partnership (LEP).

15. The LEP is a partnership between Manchester and other GM authorities, the private sector and others across the public and voluntary sectors. Whilst the LEP provides strategic direction, the GMCA is a corporate body holding certain statutory functions relating to economic regeneration and transport enabling issues to be addressed on a sub-regional basis.

16. At a Council level, there is partnership working in setting the strategy and vision of the City through the work of the Manchester partnership and other strategic/thematic partnerships. A review exercise has been carried out in the year to consider the functions of these partnerships and how best to focus on community needs – this process is still ongoing. One initial decision however is to merge the work of the Public Service Board and the Place Board to create the Manchester Investment Board.

Greater Manchester Combined Authority

The Combined Authority (GMCA) will be Greater Manchester's primary accountable body for resource allocation and for integrating local authority functions in specific areas. The powers of the GMCA were set out in a draft Order laid before Parliament in February 2011 and which was approved on 14 March. The order established the GMCA as a body corporate, setting out functions, constitution and funding.

In addition to economic development and regeneration functions which will be exercised by the GMCA concurrently with the districts, the Order also transfers the functions and property rights and liabilities of the GM Integrated Transport Authority (GMITA) to the GMCA. The GM Passenger Transport Executive is redesignated as an executive body of the GMCA for the purposes of Part 5 of the Local Transport Act 2008 and Part 6 of the Local Democracy, Economic Development and Construction Act 2009 and renamed as Transport for Greater Manchester (TfGM).

An operating agreement has been agreed between the GMCA and the 10 AGMA districts, with a range of protocols that set out how the various functions of the GMCA will be exercised, including the roles of the GMCA, the districts, TfGM, and a new Joint Committee on transport (TfGMC). The latter will exercise traffic functions that are delegated to it by the GMCA (which include traffic functions that have transferred to the GMCA from the former GMITA and additional traffic functions such as traffic lights and reports on road traffic levels) and some further functions that have been delegated directly to the TfGMC from individual districts (such as network management and carrying out of road safety measures).

A revised AGMA agreement has been agreed to reflect these changes. The AGMA Planning and Housing Commission and the Environment Commission each has oversight of certain functions which are functions of the GMCA (e.g. housing conditions assessment and air quality duties). These have become joint Commissions of the GMCA and of the Executive Board. The Health, Public Protection and Improvement and Efficiency Commissions remain Commissions of the Executive Board.

A shadow GMCA and shadow TfGMC met for the first time in February 2011 and became fully operational on 1 April 2011.

Greater Manchester Local Enterprise Partnership

The proposal for Local Enterprise Partnerships (LEP) was introduced in the Local Growth White Paper in October 2010. Government has since agreed Greater Manchester's LEP proposal.

A shadow GM LEP was established and met from October 2010 through until March 2011. The shadow LEP was based on existing partnership arrangements across Greater Manchester, to ensure an immediate focus on establishing new functional and delivery structures. The shadow LEP oversaw the establishment of the full LEP and managed an open and transported recruitment process for the LEP Chair and non-local authority members. The LEP was established on 1st April 2011 and is chaired by Mike Blackburn, North West Regional Director of BT. The LEP also comprises eight further non-local authority representatives who were selected on the basis of their skills and knowledge base, and who sit on the LEP as individuals and not as representatives of their company or organisation. The LEP includes the Chair and Vice Chairs of the Greater Manchester Combined Authority and the Chairs of the Strategic Boards for the Centres of Excellence for Business Growth, Trade and Investment and Marketing, Communications and Tourism have been invited to join the LEP in an ex-officio capacity. An early focus for the LEP is overseeing the bids for Round 2 of Regional Growth Fund, overseeing the performance of the Manchester Family of Agencies and guiding the development of the Airport City Enterprise Zone.

Strategic and Thematic Partnerships

Partnership working underpins neighbourhood working at ward level. Quarterly meetings in each ward bring together stakeholders including representatives from the Council, police, NHS, housing providers, and local businesses. These meetings address the priorities of each ward, and seek to include all partners in finding solutions to local issues that are sustainable and complement the broader work at locality and SRF level.

Examples where partnership working has paid strong dividends include:

- *Respect Action Weeks*, a multi-agency approach to tackling issues of crime and anti-social behaviour
- Valuing Older People networks, where a variety of agencies come together to help improve life locally for people over the age of 50. Outcomes have included chair-based exercise classes, 'Fun and Games' sessions, and free film screenings for older people at community venues
- Working with the University of Manchester's Volunteering and Community Engagement team to hold clean-ups, awareness-raising events and more
- The Airport Academy project, which unites the Council, Manchester Airport and over 300 businesses at the airport, to provide employment advice and guidance to people over 16 living in Manchester

The Manchester Partnership, the Public Service Board, the Place Board and the thematic partnerships have been reviewed to ensure they are efficient and fit for purpose. The Public Service Board has been merged with the Place Board to create the Manchester Investment Board and will continue to focus on delivering the Community Strategy. Initial focus will be on establishing the new (and statutory) Health and Well-being Board, and continuing with the Children's Trust Board, the Work and Skills Partnership, and the Crime and Disorder Board. Work is ongoing to review the Sustainable Neighbourhoods Partnership, and how any changes would affect the Partnerships which support the SNP, and the need to strengthen our current Strategic Regeneration Delivery Groups, providing a clear focus on local areas within the city.

17. The new Manchester Investment Board will be accountable for the partnership investments and Manchester Investment Fund. The new Performance Management Framework which will be developed throughout the year will also apply to the partnership, ensuring there is no duplication in performance monitoring.

Manchester City Council

18. The Council has a responsibility to explain and report regularly on its performance and financial position. It does this through the publication of:
    - The Corporate Plan and associated business plans outlining the key objectives for the next three years as well as the Council's Medium Term Financial Plan;
    - The Annual Report outlining what the Council has achieved in the previous year;
    - The Annual State of the City and State of the Wards Reports.

19. The Annual Audit Letter highlighted that the Council has demonstrated progress in improving financial management arrangements through for example, strengthened risk management arrangements, the increase in focus on value for money underpinned by a three year VFM strategy and continued improvement in the Council's internal audit function with strategic audit plans based around key risk areas. Examples of areas identified where further progress is required include improved ICT governance and the need to continue to strengthen schools governance arrangements (refer sections 48 and 84 of this report).

Making the Best Use of Resources

20. Making the best use of resources covers a wide range of activity about how the Council ensures that it is spending its resource most effectively in order to deliver the best possible outcomes for Manchester residents within the funding available.

21. Examples of key developments in this area over the 2010/11 period include:

- The abolition of the CAA and development of a new performance management system to be implemented in 2011/12
- Value for money strategy
- Transformation programme
- Manchester Investment Fund
- Integrated commissioning
- Procurement
- Environmental sustainability

Abolition of the Comprehensive Area Assessment

22. In May 2010, the Coalition government announced the abolition of the Comprehensive Area Assessment ("CAA"). MCC recognises the importance of performance management and has been further developing its own arrangements. It is important to ensure that in influencing and developing this framework, it is fit for purpose and that it is able to support effective decision making and support the culture of continuous improvement. The Government's intention is for councils and their partners to be accountable to their residents rather than reporting on indicators to government.

New performance management framework

23. Performance Management links political strategy through service objectives to the needs and expectations of Manchester residents. It aligns resources – people and finance across agencies to meet those needs. The new Performance Management Framework will provide members and senior managers with the performance, financial, workforce and risk information they need to make decisions around resources and feedback to residents on those issues they have identified as being most important to them and to be delivered in the first quarter of 2011/12.

The performance and research functions from across the Council have been brought together to work together in a centre of excellence model. The purpose of this is to streamline resources and make better use of intelligence information in order to continue to drive improvements in performance. Work is ongoing at present to determine which staff will form part of the new model – this will be in place by the end of the first quarter.

Resident Accountability is a key feature of the new Performance Management Framework. It is important to create a flow of good quality information on the needs of residents and communities, evidence about the actions to take to address needs and finance information on the cost effectiveness of the actions to inform investment decisions along with responsibility and ownership of actions. Feedback is another key element of the framework. Specifically, this will involve the embedding of feedback from residents on services provided and feedback from the Council as to how it has responded

As such, performance reporting across the organisation is being reviewed and rationalised so that there is a clear link from the Community Strategy and Corporate Plan down to the Medium Term Financial Strategy and individual business plans. Pursuant to this, the Corporate Plan and corporate dashboards have been refreshed with the full integrated framework expected to be in place in the first half of 2011/12.

Performance reporting needs to combine performance, workforce, finance and risk intelligence whilst aligning operational and strategic reporting. This will also ensure that all the statutory reporting requirements for the Directorates continue to be met. The performance reporting framework will include:

- Overall messages and impact report – this links key messages from budget monitoring, business plans and assurance reporting. It will summarise what the data tells us and how we need to respond.
- Reporting against the Community Strategy delivery plan
- Business Plan dashboards, corporate health indicators, key performance measures
- Underlying operational data
- Focus on SRF area and place

Performance reports will not be just performance indicator driven and will contain a basket of measures designed to measure against Community Strategy outcomes.

Value for Money Strategy

24. Acknowledging the continued and growing importance of value for money (VfM) and the need to provide a clear statement of assurance as to our organisational activity and priorities in this area, the Manchester City Council Value for Money Strategy was approved in April 2010. The Strategy articulates the priority which the organisation places on delivering VfM and sets out how key strategic projects will support the delivery of improved VfM in terms of economy, efficiency and effectiveness.

25. A VfM Action Plan has been prepared to monitor and assure delivery of the core aims identified in the VfM Strategy and strengthen the Council's commitment to ultimately offer better value for Manchester's residents. Following the abolition of the Use of Resources Assessment, the Action Plan has been enhanced to provide a monitoring mechanism for a new aim to *'ensure efficient and more effective use of our resources through improved governing of our business'.* This will help ensure that those elements of the former assessment which were not previously part of the Strategy continue to be supported and improved in line with the Council's overall commitment to improving service delivery and VfM.

26. The Action Plan incorporates an assurance matrix, in line with the Council's corporate approach to assurance, and identifies key risks to the delivery of those projects which contribute to the aims of the VfM strategy. It also sets out at a high level what activity is scheduled to take place to support the delivery of projects and, in turn strengthen VfM. The Action Plan is reviewed on a quarterly basis by the Use of Resources Sub Group of the Council's Strategic Management Team and key issues and progress highlighted to provide a single summary of progress and achievements.

VfM audits will be undertaken during 2011/12. The Council's Internal Audit team are conducting a desk top review to support the delivery of the VfM strategy and action plan. Also, in line with the new national approach our External Auditors have begun reviewing how the Council delivers VfM in key areas activity with the conclusions to be reported as part of the Annual Audit of Accounts.

Transformation Programme

27. The transformation of the Council has been accelerated following the financial settlement. Departmental Target Operating Models ("TOMs") were considered in September 2010. The TOMs provide a framework for the transformation of the Council and include measures designed to improve governance across the organisation. For example, the single shared service centre will streamline and integrate transactional services, providing a consistent view of data and information. The implementation of the different TOMS has been integrated into the delivery plans.

28. The future organisational arrangements being developed as part of the Transformation programme are:

    1. The Corporate Core functions need to be organised to create a one Council approach of centres of excellence and business partners alongside Strategic Directors, following the HR/OD approach
    2. Neighbourhood Regeneration and Delivery teams then provide a strategic partner role drawing down Corporate Core functions to the neighbourhood on a

bespoke basis (i.e. Corporate Core functions will then become more concentrated and focussed, not duplicated)

3. Strategic Directorates have a partnership arrangement with the Core functions and draw down support as necessary. There is a shift towards a more strategic function that is focussed on commissioning rather than direct provision of services.
4. A new strategic relationship is created – both Strategic Directorates and Neighbourhood Regeneration and Delivery teams use Corporate Core functions to connect services to neighbourhoods providing the neighbourhood focus for the whole Council.

29. The development of such a model will improve governance (and thereby outcomes for residents) by strengthening the link between the organisation, its resources, neighbourhoods and elected members.

The Manchester Investment Fund

30. The Government announced the development of Community Budgets in October's Comprehensive Spending Review. The City Council is working across AGMA and with Government departments to demonstrate that devolution of investment decisions at a local level can contribute to growth and deliver reform of public services, reducing demand for and expenditure on, dependency based services.

31. The Community Budgets proposals in Greater Manchester focus on tackling poverty, improving life chances and outcomes in the early years and reducing offending rates by working to reduce demand for public services and particularly costly acute interventions, thereby reducing costs. This requires a significant shift in the way public services invest and deliver together. For example, new ways of working mean that we may have to realign our resources to new delivery models.

32. In Manchester this will be delivered through an investment fund. Participating agencies will put money and resources into one pot and decide together how those resources are deployed to achieve the best outcomes.

33. Governance of the MIF must operate at different levels. Structures are being developed to oversee the development of community budgets. For example, a Manchester Investment Fund Board has been established to approve MIF investments and monitor performance. The work of the MIF will be overseen by the cross-cutting theme group set up to monitor delivery of aspects of the Council's business plan. There are also supporting officer groups in place to support the development of the Community Budget proposition.

34. The work of the MIF will be used to inform and steer some of the work that is ongoing around Integrated Commissioning.

Integrated Commissioning

35. Integrated Commissioning is the overall strategic process of aligning resources to deliver shared outcomes and would build on the work of the MIF. For example, the Council will seek to pool resources with other agencies around tackling complex family issues through the implementation and scaling up of interventions that have been successfully piloted through the MIF.

36. There are several pilot work streams underway led by senior managers which adopt different ways of working in order to determine a preferred approach. Examples include the Ardwick pilot (spatial approach) and the work on complex families and the Manchester Investment Fund outlined above (undertaken in Wythenshawe and parts of Gorton and Longsight).

37. The pilot work being undertaken has highlighted specific issues around Manchester moving towards an integrated commissioning model (for example, no high level single governance arrangement at a strategic level is in place across the council to lead and drive the model, the cost-benefit analysis for the Ardwick Pilot and Complex Families proposition, in order to be academically credible, will take some time to develop). Work is therefore ongoing in this area. From a governance perspective, it is key that a locality integrated commissioning framework should be developed; this will need to target and align resources around individuals, families and communities to deliver the specified outcomes (i.e. the work of the pilot programmes should be brought together when available and a coordinated approach for the future agreed).

38. Such a multi-department/agency approach and alignment of outcomes will need appropriate multi-partner governance arrangements. Such processes are still under development and will be submitted for approval by members in due course.

Procurement

39. In respect of procurement the Council continues to be recognised as demonstrating national best practice and is responsible for the delivery of regional procurement programmes in the North West Improvement and Efficiency Programme. Funding for this programme is coming to an end in June 2011 but MCC will continue to support other local authorities on an individual basis and drive best practice through leading on and participating in sub regional projects.

Environmental sustainability

40. Environmental sustainability is a key priority for the Council in planning the future of the city and the city region as well as its own performance as an authority. Since the production of Manchester's Climate Change Action Plan (CCAP) in November 2009, the Council has supported a Stakeholder Steering Group to oversee promotion of the CCAP and a city-wide conference was held in November 2010.

41. Implementation of the Council's commitments to the CCAP is led by the Environmental Strategy Board, which has overseen the drafting of a Council Delivery Plan that was approved by Executive in October 2010. An annual Carbon Reduction Plan for 2010/11 approved in April 2010 will be reported on to Executive in June 2011 and a second Carbon Reduction Plan for 2011/12 will be submitted for approval in May 2011. The Delivery Plan and Carbon Reduction Plans are now underpinned by Service Plans developed within each of the Council's directorates.

42. Further work is required to embed the identification and monitoring of the environmental impact of Council policies, plans and strategies, within the Council's Performance Management Framework, strategies for which are outlined in the second annual carbon reduction plan. The Environmental Strategy Team will monitor performance against the Directorate Carbon Reduction Plans to track deliverability of

the plan as a whole. In addition, the Council is implementing plans to work more closely with neighbourhoods to tailor recycling services to local needs and offer additional services in order to recover a shortfall against residents' waste recycling targets in 2010/11 and to meet those set for the coming years – for example, although some weekly collections will move to fortnightly, the range of recycling will increase to include food.

Having Clear Responsibilities and Arrangements for Accountability

43. Responsibilities and arrangements for accountability can be broken down into a number of levels such as those recurring responsibilities and arrangements existing at an overall Council level, and then beneath the overarching structure, arrangements and responsibilities specific to different themes around emerging governance issues (e.g. Schools, NHS reform, Third sector).

Council

44. The Council has clearly outlined who is responsible for the discharge of responsibilities within the constitution and has:

- Appointed a Leader of the Council who has appointed an Executive whose members each have an individual portfolio;
- Appointed an Executive whose members each have an individual portfolio;
- Statutory officers in place with the skills and resources to fulfil those roles;
- Appointed (on an annual basis) committees to discharge the Council's functions - regulatory and otherwise;
- Recognised the democratic and representative nature of locally elected members in their communities and has developed its Ward Co-ordination process to support members in discharging this role through activity such as: the organisation of regular meetings in wards between residents, members and representatives of other local organisations and service providers; the development of ward plans; the production of regular newsletters for wards; the facilitation of local consultation exercises; the Neighbourhood Funding Strategy; and ensuring that the Council's activity is delivered effectively and efficiently within each ward; and
- A published constitution which sets out the rules on how the Council operates and citizens rights and which contains a scheme of delegation of executive and non-executive functions; rules of procedure; financial procedures; codes and protocols governing both members and officers; and a Members Allowances Scheme. The constitution is reviewed annually to ensure it remains fit for purpose, reflects changes in legislation and the Council. The constitution, in particular the scheme of delegation, has been through a thorough review in 2009/10 and the 2011/12 constitution now incorporates the Code of Corporate Governance (the review of the constitution for 2010/11 took place in April 2011 and was approved by Council at the May council meeting).

45. The Localism Bill is currently passing through the House of Commons (at Commons report stage). The bill includes provision for directly elected mayors in 12 English cities including Manchester subject to a referendum. If a mayor were to be elected in Manchester the Council would cease to operate its existing executive arrangements and would operate a mayor and cabinet form of executive. The Bill also includes provisions regarding community empowerment including the ability for local people,

councillors and council's to instigate a local referendum on any local issue; council tax referendums to veto excessive council tax rises; community right to challenge requiring the Council to consider an expression of interest in local groups providing, or assisting in providing, a service that is currently provided by (or on behalf) the Council; and community right to buy providing power for local groups to nominate land of community value to be recorded on a list of assets so that if it goes on sale the group can delay the sale whilst they prepare a business plan/raise funds to bid for the property. We will monitor the passage of the Localism Bill and its implications over the course of 2011/12.

46. On 14 July 2010, the Council adopted a Statutory Petition Scheme (the Scheme) as required by the Local Democracy, Economic Development and Construction Act 2009. The Scheme is open to anyone who lives, works or studies in the Manchester. Initially, the Scheme only applied to paper petitions but was extended to an on-line electronic petition facility on 15 December 2010 under which anyone may set up a petition on the Council's website and other petitioners may sign-up online. The Localism Bill provides that the requirement for local authorities to operate a statutory scheme is to be repealed and it will be for local authorities to decide whether to continue to operate a petitions scheme.

47. The Strategic Management Team is responsible for overseeing the work to improve governance arrangements across the Council. A sub group of SMT, chaired by the Deputy Chief Executive (Performance) has responsibility for overseeing work to improve governance arrangements within the Council and with partners, with a particular focus on the delivery of the Programme of Improvement for Significant Governance Issues as identified in last year's Annual Governance Statement (see Appendix 1), progress against which is reported to members on a bi-annual basis.

Children's Services

48. The continued development of strong governance and leadership in schools has remained an area of focus for the Council over the past year, progress of which (and key areas of focus for next year) can be summarised as follows:

    - Continued work to ensure the governing bodies of all Manchester's schools are fully engaged in all aspects of current activity to improve their governance arrangements and that progress is comprehensively measured, monitored and reported;
    - The delivery and implementation of the various governor support products and tools being developed as part of the Greater Manchester Challenge funded governance work stream being led by the Council; and
    - Further work to foster increased school to school collaboration and new models of schools governance.

- In addition, it is important to remain flexible in respect of changing government agendas (for example, an increased role for Free schools and Academies) and ensure that we are able to reflect any such policy arrangements within our governance arrangements

School governing bodies

- The outcome of the SIP quality assurance of Governing Bodies in schools evidenced that apart from those schools where the LA has removed powers from governors and put an IEB in place, the majority of school governance in the city is at least satisfactory with much of it good and some outstanding. In February 2011 out of a total of 172 schools (excluding Academies) in Manchester inspected by OFSTED, 93% of primary schools and 79% of secondary schools have been rated good or better in respect of governance effectiveness

- In April 2011 SIPs will be revisiting and quality assuring schools who were last year satisfactory in terms of the effectiveness of the Governing Body. The purpose of this is to examine the strategic progress that has been taken over the last twelve months to improve the category of effectiveness of governance. This will be collated to reflect an up to date picture in terms of school self evaluation and correlated with the Ofsted outcomes by end of July 2011. Governing bodies can now buy a number of bespoke training and development support packages, to support improvements in the effectiveness of governing bodies.

Governor support tools

- The Greater Manchester Challenge provided funding for the National College to identify, recruit and train seven Governor Champions. Schools can buy in Governor Champions to provide bespoke support to help new governors develop or a whole governing body to improve.

- Other packages are also available to support improvements in governing body effectiveness. There is also a new web-based training and support resource for governors in Greater Manchester implemented in the year.

New approaches to governance arising from the Academies programme

- There are currently six Academies in Manchester and all are formally registered as a partnership within the Council's Partnership Governance Framework with an identified lead officer and link officer.

- The last meeting of the Academies Programme Group, the development group created with the Department for Education to set up the academies, took place in September 2010. At that meeting it was agreed to establish an Academies' forum for principals and sponsors to meet and that the Collaboration Protocol should be re-visited with a view to formulating a Memorandum of Understanding (MofU) since the programme had moved on to full implementation. The focus of this MofU will be on providing opportunities for sharing learning, experiences and services across the academies, curriculum planning and the 14-19 agenda. This group is convened by one of the co-sponsors, The Manchester College.

- In recognition of the complexity of the role of governor of an Academy a training and support package for SMT members has been commissioned from the Specialist Schools and Academies Trust. The training programme will supplement existing support that they receive through each Academy SLA with an emphasis on their strategic role in school improvement. SMT members are going to set a time to receive the training package.

Increased school to school collaboration

- A Governance Transition Team has been set up to signpost schools towards working in formalised partnerships or attaining trust status or federation. Currently there are around 10 emerging partnerships. This will include clusters of schools acting as hubs of universal, targeted and specialist services, with the local authority contracting with school partnerships for them to meet outcomes for children. A Memorandum of Understanding has been completed and a number of the proposed 'early adopter' partnerships are currently in discussions around how they will move forward with this.

Other

49. During 2010/11 the Department for Education (DfE) repealed the Financial Management Standard in Schools (FMSiS). This came part way through the year and Internal Audit proposed that Manchester schools would continue to apply this assessment until its replacement was announced.

50. Consultation on the replacement for FMSiS was announced in March and the proposed approach comprises a school self assessment which is designed to inform the Local Authority and Internal Audit assessment of risk. Further discussions will be taking place in the Council, with schools and with colleagues across Greater Manchester and the Core Cities to determine the most efficient and effective way for all key stakeholders to obtain assurance over school governance and financial management arrangements.

Education Traded Services and other service delivery models

51. The Schools White paper and the Education Bill signal a change in relationship between the Local Authority and Schools whereby schools are seen as key commissioners of provision in their local community. We are looking at a new enterprise as an option to respond to this changing relationship with schools. Such an enterprise would be independent from the local authority and based on the nucleus of services that has traded successfully for 3 years at a full cost recovery.

52. Education Services offers high quality specialist education services to schools, academies and local councils to support improved outcomes for children. Specialist services add value to schools by addressing low incidence, complex educational needs often related to individual children where it would be unrealistically expensive to meet these needs from within their own resources.

53. The 2011/12 budget has included provision for the potential outsourcing of Early Years Services or the potential transfer of such services to a trust model in order to deliver targeted savings.

54. These proposals are still under development and are at a relatively early stage. Various delivery options are being assessed. Any proposal will be subject to the required legal and statutory process and to Executive approval in due course. The governance of such proposals is key for the Council and will be reported to R&GOS Governance sub group in December as plans evolve.

MiCare

55. The 2010 AGS highlighted concerns over non-compliance with documentation standards in the new MiCare system. Data was recorded on an ad hoc basis by departments whereas MiCare now acts as a central repository and is therefore the key control over the data for the Council. As such, it is essential that information is accurately and completely populated in MiCare.

56. Internal audit have considered the implementation of agreed measures in both Adult Services and Children's Services and have agreed that good progress has been made in both Directorates. This resulted in an increase in the reported level of Internal Audit assurance over recording of casework management in the year. Internal audit have proposed to re-examine these areas to support the implementation of further improvement actions in 2011/12.

NHS Reform

57. Equity and excellence: Liberating the NHS, the coalition Government's NHS white paper, was published in July 2010 and the public health white paper, Healthy People, Healthy Lives was published in November 2010. Between them they signal a very wide ranging reorganisation, with significant implications for local government (a much greater formal role is envisaged) as well as almost every part of the NHS.

58. The white papers set out an ambitious timetable. An Independent NHS Commissioning Board and statutory health and wellbeing boards at local authority level are expected to be in place by April 2012. By April 2013 the new commissioning system is expected to be in place, by which time Strategic Health Authorities and Primary Care Trusts (PCTs) will be abolished. The Department of Health (DH) has consulted on the proposals and a Health Bill is now in progress through parliament. The proposals included in the Bill are currently under review by the Government and therefore may change again before royal assent is given.

Shadow arrangements

Locally it is intended to have shadow arrangements for the implementation of the white paper from April 2011. These shadow arrangements have been approved by the Health and Wellbeing Overview and Scrutiny Committee:

- A transition board to oversee the changes has been established and is meeting.
- Shadow GP consortia arrangements have been established. Ongoing discussions are underway with the new Consortia about the future vision for integrated commissioning in Manchester and the role of the new NHS in public service reform.
- The ten PCTs in Greater Manchester are restructuring to take the form of a single Cluster organisation taking on many current PCT functions, with ten Local Committees managing the remainder of the functions.
- Manchester has secured early adopter status for the establishment of a local Health and Well-being Board. This will be established in May 2011 to bring GPs into partnership planning processes and enable Manchester to test out new ways of joining up primary care, public health and social care services. Governance arrangements remain to be finalised, but the new partnership will have a formal role within the Manchester Partnership.

59. The Council's Joint Health Unit (JHU) has now been integrated with the NHS Public Health Team to form Public Health Manchester under the leadership of the joint Director of Public Health and Partnerships (DPHP). A transformation project is underway to ensure that Public Health Manchester is able to respond to the challenges of the public health White Paper and to integrate it smoothly into MCC structures by April 2013. In the short term governance will have to be managed jointly with the PCT Cluster and Local Committee, which retains a statutory role for public health. The DPHP will also work closely with strategic directors for adults, children's and neighbourhood services to ensure that a coherent approach to the broader health and well being agenda is progressed.

Third Sector

60. It will be important to ensure that the Council continues to provide local leadership for volunteering and support to third sector organisations which will encompass robust governance and delivery arrangements

61. In order to achieve this, discussions have taken place with representatives of the third sector in order to develop a proposition for an infrastructure organisation that will bring together the current range of disparate groups thereby providing MCC with a strategic link to the third sector. The organisation would also provide advice on fundraising/bidding for grant funding and would operate a volunteering bureau. The scope and structure of this proposed organisation is yet to be finalised and will depend on a joint proposal from 3rd sector leaders that is due in June 2011.

62. The Council has a long history of supporting, and working in partnership with, the voluntary and community sectors in the city in order to help sustain and improve the quality of life for Manchester residents. A substantial amount of revenue budget is spent across all services for funding voluntary and community sector activity. The sectors are expanding and encourage active volunteering and community participation. A piece of work was recently completed which identified that the council spent approximately £63m across all directorates with third sector organisations by way of grants or commissioned services in the previous financial year. Although this amount will inevitably reduce following budget consultation, it will nevertheless remain substantial.

63. A key consideration within the ongoing transformation and business planning process will be the opportunity for improving outcomes by enabling residents and service users to be more self-reliant and to help each other. Supporting volunteering and groups of volunteers therefore becomes more important. It will also be key to enable groups of residents and communities of interest to come together to do things for themselves by continuing to support the development of community groups

Good Conduct and Behaviour

64. The Council's revised budget and business planning activity this year has prompted discussions regarding the central positioning of the Council's values to achieving its ambitions. The Council understands that shared values have high prominence in high performing public and private sector organisations and are integral to driving the Council's ethos as well as communicating the Council's culture and ambition to its residents, customers and communities. The governance self-assessment

questionnaire asked Officers to respond as to how they embedded the values of the Council within their area of responsibility.

Member Conduct

65. The Constitution contains the Code of Conduct for Members ("the Code"). The Code sets out the standards of conduct expected of members including standards of individual behaviour; registration of financial and other interests; and the rules governing disclosure of interests and participation in the decision making process where a member has a prejudicial interest. The Standards Committee's annual report 2009/10 was presented to the City Council on 14th July 2010.

66. The Standards Committee is in place in accordance with the requirements of the Local Government Act 2000. It is responsible for promoting and maintaining high standards of conduct by members of the Council. It has twelve members, three of whom are independent co-opted members. The Committee is chaired by an independent member.

67. The Standards Committee is responsible for operating a locally based system for initial assessment of complaints that a member may have breached the Code of Conduct for Members. The Standards Committee has established sub committees, each chaired by an independent member to undertake the assessment of allegations that a member has breached the Code; to consider any request made by a complainant for a review of a decision to take no action in respect of an allegation; and to discharge the function of holding hearings in connection with investigations.

Between 1 April 2010 and 31 March 2011, out of 96 Council members and 16 co-opted members, none were found to have breached the Code. In this period, fourteen complaints were received by the Council requesting referral to the Standards Committee. Twelve have been considered by the Standards (Assessment) Sub Committee's and the outcomes are set out below. The remaining two will be considered by the next Standards (Assessment) Sub-Committee. Of the twelve complaints assessed the decisions of the sub committee were:

- Nine - no further action;
- One - referral to the Monitoring Officer for other action;
- One - referral to the Monitoring Officer for investigation; and
- One - referral to Standards for England for investigation.

Of the nine decisions to take no further action, the right of review was requested in respect of four of the complaints. In each of these cases the Standards (Review) Sub-Committee's decision was to take no further action. Two of the fourteen complaints, received on 21 February 2011 and 28 March 2011, will be considered by the next Standards (Assessment) Sub-Committee.

68. On 20 September 2010 the Government announced that the current standards regime consisting of the Code, standards committees and the Standards Board for England (SBE) is to be abolished. There will continue to be a statutory obligation on local authorities to promote and maintain high standards of conduct by members and co-opted members and Council's may decide to adopt a voluntary code of conduct dealing with the conduct expected of members and co-opted members of the Council when they are acting in their official capacity. In place of the current standards

regime there will be a new criminal offence of failure to register a financial or other interest in accordance with regulations to be made. The revocation of the Code and the abolition of the SBE will take place on a date to be appointed by the Secretary of State, and in the meantime the Standards Committee is closely following the development of the legislation.

Officer Conduct

69. During 2009 a working group was established to review and update the Council's Management of Attendance Policy and Procedure. This was implemented early in 2010, coupled with a training programme for all managers to promote a high attendance culture. At this time a monitoring group including service managers and the trade unions was established, together with more robust and accessible management information. Regular updates from this group are shared with Service Departmental Management Team/Attendance management Groups to monitor levels of sickness absence for individuals, teams, departments, and the authority as a whole. These actions have resulted in a reduction in the sickness absence level over the last 12 months

70. The Council's Anti-Fraud and Whistleblowing policies, for which the Internal Audit and Risk Management division are custodians, were reviewed and revised during the last year. In addition a corporate fraud intranet homepage has been launched, bringing together related policies and codes to improve visibility and awareness of the corporate approach to dealing with fraud. There is now a specific Whistleblowing section to the A-Z on the Council's internet site which advertises the Council's policy and provides for greater access for referrals to be made

71. The requirements for registration of offers of gifts and hospitality and the declaration of interests in contracts are set out in the Council's constitution. Council internal communication methods have been used to raise awareness of these requirements.

Informed, Transparent Decision Making

72. Manchester has adopted the principles of open government. The Council's governance arrangements ensure that:
    - Key and major decisions taken by the Executive, subject to limited exemptions, are made in public and that information relating to those decisions is made available to the public;
    - The decisions of regulatory committees, subject to limited exemptions, are made in public and that information relating to those decisions is made available to the public;
    - Rules and procedures which govern how decisions are made including how appropriate financial, legal and professional advice is provided are regularly reviewed and publicly available;
    - The forward plan and executive and committee agendas are published in advance and available to the public. Agendas, reports and minutes are made available on the Council's website;
    - Key decisions delegated to officers are recorded and, subject to limited exemptions, publicly available; and
    - The Council's spending data over £500 are published on the Council's website in accordance with the Government's open data recommendations

73. The Council has put in place arrangements to ensure that decision makers can be held to account for example, each overview and scrutiny committee has published an annual report for full Council which is accessible to the public. The 'Engaging with Local People and Stakeholders' section below sets out the arrangements in place to engage stakeholders in the decisions of the Council.

Customer Complaints

74. A review of the Council's complaints management process, concluded in early 2010, has driven a series of actions over the last 12 months around customer complaints, including:
    - A three stage process for dealing with public complaints is fully embedded within all departments and details of our complaints procedures, along with a new streamlined on line complaint form is published on our website. An officer is dedicated to the management and development of complaints processes corporately.
    - Departmental complaints coordinators have been appointed for each service. They are responsible for quarterly monitoring of all complaints received and reporting back on how complaints have influenced service improvement. Complaints data is published for all departments on the Council's website and a report on complaints performance across the Council is made to SMT quarterly, as well as monthly reports to all Strategic Directors.
    - A Complaints Panel has now been established, meeting quarterly, with senior representatives from key services. The Panel has responsibility for decision making on proposed development initiatives and has a key role in complaints quality assurance.
    - Two key performance indicators around complaints have been developed on the Corporate and Directorate key performance dashboards that measure performance in answering complaints within 10 days, and performance in responding to Ombudsman enquiries.

75. Arrangements for managing complaints referred to the Local Government Ombudsman are reviewed annually following receipt of the Ombudsman's Annual Report for Manchester, and this report also contributes to the ongoing assessment of areas for development in the handling of complaints both corporately and departmentally.

76. A further way that the Council can be held to account is through the use of Freedom of Information requests. The Council is committed to ensuring that the arrangements in place operate as effectively and transparently as possible.

Risk Management

77. Work has continued throughout the year to support the embedding of risk management as a core competency across all corporate and operational services.

78. Specific actions implemented include:

- Improved recording and reporting of risk priorities and actions in business plans as well as in projects. This will be further enhanced in 2011/12 through the development of an electronic risk management facility within the programme and project

management (PRISM) system to facilitate more effective recording, reporting and scrutiny of risks within and across services.

- Risk officers appointed to provide support to directorates.
- Full directorate level risk assessments and response plans in place for two directorates and work well underway for the remaining.
- The corporate risk register was updated and presented to SMT and the Audit Committee throughout the year.
- The annual risk strategy was submitted to Audit Committee in January 2011 which included examples of the effective, practical application of risk management across the Council.
- Annual training target (500 plus officers trained) has been exceeded.
- Active programme of generic training and workshops provided on a rolling programme throughout the year.
- Update of Risk Management intranet pages to provide on-line support and resources.

79. This year's refinement of the business planning process has provided an enhanced guidance section for Heads of Service to reflect on their Business Continuity approach. Heads of Service were invited to attend a series of collective seminars that provided support in completing each section of the delivery plan component of the business plan.

80. Transformation is now a fundamental consideration within business planning and has warranted its own section within the delivery plan component of this year's business plans. Feedback on previous business plans recommended that Services must be cognisant of the pace and scale of organisational change that may compromise the currency of Business Continuity plans if not aligned. The formalised transformation agenda provides many opportunities for Services to align Business Continuity to the new business practices.

81. Loss of large numbers of staff in the event of a major incident remains a key Business Continuity threat. This applies to the mass absence of staff which cannot be anticipated and within that the potential loss of key individuals that retain critical skills, knowledge or relationships. Work is continuing to test and exercise plans in critical service areas. Business continuity arrangements are in place for staff leaving through VER/VS and this is being progressed by services with HR/OD support. Business continuity arrangements are in place with minimum staffing details contained within business continuity plans. Through the workforce planning process focus for the future will be placed on generic cross-skilling and succession planning in priority areas which will assist in mitigating this risk.

82. The governance self-assurance questionnaire highlighted the risk of limited business continuity planning and testing of such plans as an emerging theme across the Council. The business continuity team are working with services to better embed the plans and testing of such plans within the organisation and will update in due course

Information Governance & ICT

83. In 2009 the Council was issued with an undertaking from the Information Commissioner's Office (ICO) that set out five areas of improvement considered necessary to demonstrate the adequacy of controls over personal data. In response to this Undertaking the following key areas for action were agreed:

- Refresh and reissue the Council's policy on control of portable devices.
- Creation of an accurate and complete inventory of portable devices.
- Encryption of portable devices.
- Minimisation of data held on encrypted standard laptops.
- Review of Town Hall building / physical security.
- Training and awareness-raising for key staff in the control of personal data.

A number of actions have been taken in response to the ICO Undertaking and in the further strengthening of information governance across the Council:

- Particularly positive progress has been made in the procurement and deployment of PGP encryption for laptops, implementation of Citrix across the ICT estate and in raising awareness of information security, particularly within SMT and the Wider Leadership Team (WLT). Progress also continues to be made in the procurement of updated e-learning materials and the distribution of advice and guidance through the provision of training resources on the intranet and Information Governance Newsletters.
- The central ICT register of encrypted laptops has been developed. The next step is to share the register with the relevant Strategic Directors and Heads of Service who in future will be responsible for maintaining a local asset register of portable ICT assets and for ensuring that all devices on these registers are encrypted.
- A Council wide broadcast was issued to remind all staff of the requirement for all portable ICT devices to be encrypted.
- The ICT Service obliges all Blackberry users to change their passwords on a regular basis
- There is an ongoing project to improve town hall security. Plans had been brought forward around introducing swipe systems/barriers to access but the layout of the complex is changing significantly with the Town Hall extension programme and this work is therefore being coordinated with the wider refurbishment. A stricter enforcing of the need to show passes has been implemented at the entrance to the town hall.

84. In line with the LGA/SOCITM Data Handling Guidelines there is a recognised need to establish governance structures for managing information risk and for providing the necessary assurance that appropriate and consistent information standards are embedded and enforced across the Council. It was agreed that a Corporate Information and Risk Group (CIARG) be established, chaired by the City Solicitor, reporting directly to SMT. This sub group of SMT, which has now been established, has a key monitoring, oversight and enforcement role in ensuring that the necessary technical and organisational controls are in place to minimise information risk.

85. Throughout 2010/11 the ICT service continued to face a number of significant challenges. The need to stabilise and secure the ICT infrastructure whilst also supporting transformation activity and critical projects has stretched the capacity and capability of the service. At the start of 2010/11 there was an expectation of improvement based on the deployment of anti-virus software, improved security of network infrastructure, strengthening of business continuity / disaster recovery arrangements, patching of servers and strengthening of resources through a

restructure, recruitment of staff and the appointment of a strategic ICT partner. Whilst there has been much improvement in a number of areas and a number of critical projects have been successfully delivered there remains much still to do.

86. As noted in 2009/10 the scale of the issues inherited by the previous Chief Information Officer ("CIO") meant he and his team were set a wide range of challenging objectives, driven by the need to deliver a robust ICT service whilst actively supporting the Council's transformation and service improvement ambitions. From this low starting point, against the backdrop of competing demands and challenges and as a result of a change in the post holder of CIO during 2010 it was not surprising that a number of issues identified previously remain as work-in-progress.

87. The governance of ICT needs to be further developed. An Information Technology and Information Management (ITIM) Board was established in 2010 but having met once this group has disbanded. Work will be completed in 2011/12 to establish the most effective arrangements for the overall governance of ICT.

88. As a result of these internal challenges and the completion of other competing priorities such as CRM and the move to First Street the progress made in dealing with other issues has been slower than expected. For example, inventories of hardware and software need further work to ensure they are complete and accurate, disaster recovery plans and solutions need to be agreed to address risks to the continuity of service in the event of problems at Daisy Mill or other single points of failure.

89. Work is ongoing to develop a disaster recovery unit. For example, one proposal under consideration is to have a back-up system located off site so that in the event of catastrophic failure of the main servers, a back-up is available. The indicative timeline for this to be implemented is likely to be the final quarter of 2011/12.

90. Positive steps have been taken in the year to embed ICT project management arrangements

91. Work is ongoing to address the above, progress against which will be reported to the R&GOS governance sub-group in the December update

Developing Skills and Capacity

92. During 2010/11 progress has been made in the delivery of the Council's People Strategy, key achievements include:
    - The launch in April 2010 of a Leadership and Management Development Framework which encompasses both a single management qualification pathway as well as a core offer of management development activities drawing together the best already established and commissioning others to address identified gaps in provision;
    - The establishment of the Training Shared Service Centre responsible for the purchasing of all training through the training procurement framework and the transactional activities around training delivery has been completed and transferred under the management of the head of the Revenues and Benefits service as part of the Shared Service Centre.

- Continued increase in the use of apprenticeship posts, in support of the Council's Skills Pledge commitments. There are now 554 apprentices within the authority and approximately 800 officers undertaking NVQ qualifications
- Completion of all directorate health checks the outcomes will be used to inform and support the Council's Investors in People accreditation which will be re-assessed in November 2011.
- Over 870 people have taken part in the city council's future jobs fund programme with 48% of participants securing either full time employment or returning to education/ training.
- Personnel and Organisational Development have as part of their transformation integrated into the new HR/OD service on a strategic business partnering model. Policies have been updated through the joint consultative committee arrangements and work continues with services to embed good people management practices
- The HR/OD service have successfully supported the council to implement VER/VS scheme including arranging Job Centre Plus seminars and a wide range of other activities to inform and support people leaving the organisation. Assistance with the large service redesign programmes of Council staff is the key priority for the HR/OD service in 2011/12.

93. The Leaders' Handbook is being reviewed and updated for relaunch in August 2011. The purpose of this update is to further embed good governance and practice across all managers/employees of the organisation. The review will include the content, intranet presentation and related development activity. The Leaders' Handbook and related policies, procedures and guidance are published on the intranet accessible to all users.

94. The People Strategy was due to be refreshed in 2010 but with the commitment to transformation and financial settlement the Council responded with a broader approach established through M People. M People is the Council's approach to developing a smaller, flexible and highly skilled workforce. M People was developed in consultation with the recognised Trade Unions and launched in January 2011. M people is the way that staff are developed and deployed matching skills and skills development to organisational need. The success of the transformation agenda and delivery of savings are linked to the successful movement of staff so it is essential that realistic and successful solutions are identified and implemented though M People to address resource and capacity requirements over the next twelve months.

95. Operational protocols have been developed for the various M People pathways for staff.

96. A bespoke IT based system is helping the ***M People*** Team match to roles and to date 314 people have been placed through M People up to the start of May. The estimated number of employees coming onto the pathway through Service Redesign in the next three months (May - July, 2011) is over 3,000.

97. Each person on the ***M People*** pathway has a 'passport' that contains the key information on skills and aspirations necessary to enable matching to the best possible role and aligning competencies to organisational need.

98. An employee survey will be conducted in 2011/12, the results of which will be used to refresh HR/OD policies and activities.

99. The Gender, Disability and Race Statutory Equality Schemes action plans have been updated and published. Work has been undertaken by the Head of Organisational Improvement and Service Inclusion to communicate the changes in equality law through the Equality Act 2010 which will come into force in April 2011.

100. The Council continues to engage with its communities to inform equality planning and objective setting and produces the Communities of Interest Report which is evidence based and outcome focused.

101. Equality action plans within services are fully integrated within the Council's business planning process (for example, many of the transformational activities envisaged as part of the 2011/12 budget will require equality assessments as part of their implementation). These plans include actions relating to equality and diversity in the workforce as well as the delivery of the Council's services. In addition, the Corporate Equality Improvement Group, a senior officers group with representation from all services consider the strategic equality and diversity challenges the Council faces and how effectively it is tackling these and areas for improvement. This group, which is accountable to the SMT Use of Resources sub group, also has responsibility for monitoring progress against equality action plans.

102. The Members Learning and Development Group has overseen the following developments in the year: an update of the members' intranet site, a key communication and signposting tool; the production of a Members Development Strategy; the performance of a Members Development Needs Analysis across all Heads of Service which has informed the topics for monthly briefings commencing June 2010; and the production of a New Councillors' Survival Guide. Further work on member development will continue in 2011/12.

Engaging with Local People and Stakeholders

103. The Council has a long history of community engagement and recognises it as being central to the Community Strategy. This is because community engagement is about ensuring that residents can participate in a range of different ways to drive improvements to local services.

104. There are currently many different types of community engagement processes and structures in the Council enabling residents and residents' groups to put across their views and ways in which they can involve themselves in shaping services. These include formal city-wide surveys and panels such as the telephone survey; the ward co-ordination process which engages with all local residents at a ward level and draws up an annual consultation plan; opportunities for residents to take part in citywide, local and specific thematic consultation such as the Council's annual budget proposals, regeneration proposals, Library's consultation and Local Development Framework and consultation on specific service issues like Crime and Disorder strategies, planning issues or waste collections. Residents also have the opportunity to take issues directly affecting them to their ward members.

105. A Community Engagement Task Group has been established to monitor, evaluate and improve the delivery of Manchester Partnership's Community Engagement Strategy. An updated strategy was published in March 2011.

106. As well as the development of the strategy, the task group is engaged in the delivery of several areas of activity, including:
- The maintenance of a web based database of engagement activity to: improve the quality of engagement practices; provide a more coordinated approach to engagement; and capture feedback on the outcomes of activity that was launched in the year;
- The delivery of further "U Decide" cash grants, which are based upon a participatory approach to budgeting;
- The development of a toolkit setting out areas of good practice around engagement activities for partners; and
- An increase in the frequency of ward newsletters from two editions to four each year (online only from 2011/12).
- Manchester People has also played a role as a quarterly newspaper undergoing a refresh that provides news and information and generally promotes specific consultation or service issues/changes (online only from 2011/12)

107. The development of the concept of Pride in our Communities has been taken forward during the year and the "Be Proud, Love Manchester" programme has seen hundreds of events, driven by community groups, taking place across every ward in the city. The projects have ranged from sporting events, planting, intergenerational work and community celebration. Since the start of the programme, around 40,000 residents have participated in these events which have all been designed to increase the sense of pride in local communities.

108. Improvements to the quality, consistency and effectiveness of internal and external communications has continued with the Communications centre of excellence model within the corporate core. The Corporate Communications Team have seen an increase in response and improved public engagement in the budget consultation exercise which asked residents where our priorities should be, which resulted in over 2,000 responses - a significant improvement on the number received last year. There has also been an additional consultation this year following the CSR. Residents, businesses, partners and stakeholders were asked for their views on the budget proposals which outlined how Manchester would deliver a balanced budget and save the £109m required next financial year. Responses were fed into scrutiny and Council to provide information to inform decision making at the appropriate time. More detailed consultation is currently underway for service specific changes in light of the proposals outlined in Directorate business plans.

109. The Council has worked hard to update the website and also provide alternative ways to communicate and engage with the Council. For example, Digi TV is a new channel where residents can find information, respond to consultations and report problems via Sky or Virgin. People can also engage with the Council via their phone using web browser or by downloading an application for Iphones and ipads.

110. The Council recognises the importance of understanding what communities think of its performance and have launched a rolling telephone and online residents' survey through an independent social research company early in 2010. The findings from this research will be used to see how well the Council and its partners are doing at delivering the services that matter to residents and to decide what needs doing differently in the future.

111. The Customer Services Strategy is seeking to deliver substantial improvements to all customer access channels (see also section 75-77 for Customer Complaints progress) and in doing so will enhance the customer experience whilst reducing operating costs. This will be achieved through the implementation of key changes such as a corporate contact centre, a customer service centre (opened in June 2010), and the development of community access points. For example, MCC services will be available from the Salford Council's new customer hub when it opens in July 2011 and there is a planned phased rollout to providing services through the six district libraries beginning in Wythenshawe later this year. In addition, from 2014 when the town hall extension reopens, it is intended that other public services take space in the same building for a more comprehensive service offering.

112. The Neighbourhood Services directorate is currently undergoing a transformation programme which provides the opportunity for the directorate to take a holistic view of the services it provides, and develop an operating structure that supports the delivery of the *Neighbourhood Focus Strategy*, whilst eliminating duplication and developing a flexible, future proofed model that forms the basis for efficient and responsive neighbourhood working within the Council and with external partners.

113. The transformation programme driven by Neighbourhood Services will fundamentally review how the directorate delivers services to residents and communities. The drivers for change have been to ensure integrated working at a neighbourhood level that reduces duplication and creates a focussed response to local issues, to ensure that services are more appropriate, accountable and responsive to needs, maximise VFM and make efficiency savings and are organised to maximise the opportunities for improved joint planning, commissioning and delivery.

114. At the heart of the new Neighbourhood Services model is the identification and flexible response to localised needs through the restructure of teams to cover 5 geographical areas in line with the 5 Strategic Regeneration Framework (SRF) areas.

115. The way in which NS joins up with the rest of the Council and its partners to deliver the strategic priorities for the city, its communities and residents is key to the success of the implementation of the new operating model. Local intelligence gathered by integrated neighbourhood delivery teams and community services will be key to informing strategic planning at an SRF and city level. This includes trends in service requests, information about particular problem areas and feedback from our residents and communities.

116. Future plans to support Neighbourhood level service offers will be developed in partnership with Neighbourhood Regeneration Teams as well as other internal and external partners such as Children's Services, GMP, the 3rd sector etc. This will ensure services are delivered in the most cost effective way, be that by Neighbourhood Services directly, other Council departments, partners, or community groups

Review of Effectiveness

117. Manchester City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and

maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

118. The Council has appointed three committees with responsibility for overseeing and scrutinising its governance and internal control arrangements.

Audit Committee

119. This Committee has responsibility for:
- Approving the Councils accounts;
- Considering the annual Audit Letter and monitoring the Council's response to issues of concern;
- Considering and approving the findings of the annual Review of Effectiveness of the System of Internal Control, including the effectiveness of its systems of internal audit;
- Making arrangements for the proper administration of the Council's financial affairs;
- Obtaining assurance over the Council's corporate governance and risks management arrangements, the control environment and associated anti-fraud and corruption arrangements;
- Reviewing and approving (but not directing) the terms of reference for Internal Audit;
- Reviewing and approving (but not directing) the internal audit annual audit programme;
- Monitoring the implementation and the outcomes of the internal audit programme;
- Seeking assurance on the adequacy of the management response to internal audit advice;
- Receiving the Annual Report of the Head of Internal Audit and Risk Management;
- Engaging with the external auditor and external inspection agencies to ensure there are effective relationships between internal and external audit; and
- Making recommendations to the Chief Finance Officer and Monitoring Officer in respect of the Council's Constitution (Financial Procedures).
- Considering the code of corporate governance

Resources and Governance Scrutiny Committee

120. This Committee meets to hold decision makers to account and to develop policy within its area of concern. This area includes corporate finance, human resources, governance, the Transformation agenda, city region governance, revenue and benefits, Information Technology and the capital programme.

121. Governance is an integral part of the Committee's work programme and there is some overlap between issues identified and considered on the Committee work programme and those highlighted in this report. Key pieces of work have included consideration of the new performance framework, business planning in light of the financial settlement, the Town Hall transformation programme, city region governance arrangements, community budgets and changes to partnership arrangements.

Standards Committee

122. This Committee has responsibility for the Council's ethical framework, in particular ensuring the good conduct of members and reviewing relevant codes and protocols.

Officer Responsibilities

- Officer responsibility for governance lies with the Chief Executive and Strategic Management Team. The responsibility for evaluating the effectiveness and fitness for purpose of the Council's corporate governance arrangements and to lead the development and implementation of changes necessary to bring about improvement has been led by the SMT Governance sub group. The key objective of this group is to deliver a fit for purpose governance framework for Manchester City Council which seeks to achieve continuous improvement through its work; priorities have been informed by the Programme of Improvement for Significant Governance Issues set out in last year's Annual Governance Statement and as updated to the R&GOS Governance sub group in December 2010.

Sources of Assurance

123. In the preparation of the Annual Governance Statement assurance has been drawn from the following sources across the Council:
    - Internal Audit Annual Report reported to Audit Committee in March 2011;
    - External Audit "*Annual Audit Letter*" – November 2010 and associated External Audit reports;
    - Head of Service self assessments against key criteria;
    - Self Assessment against the Governance Code;
    - The Partnership Governance Framework and partnership assessments; and
    - The work of the SMT Governance sub group.

Audit and Inspection Opinions

External Audit and Inspection Work

124. The Annual audit letter states that "the accounts give a true and fair view of the Council's financial affairs at 31 March 2010" and that "the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010".

125. Manchester's Announced Inspection of safeguarding and looked after children services took place from the 25th Oct 2010 to 19th Nov 2010. The inspection was carried out by Ofsted and the Care Quality Commission (CQC) in accordance with the requirements of the Children Act 2004. It focussed on evaluating outcomes for children and young people, and the impact of services on improving outcomes.

126. The overall judgement for Manchester was Adequate across both Safeguarding and LAC, and Good for both in relation to Capacity to Improve, and for Leadership and Management. This outcome is in line with MCC's own internal self assessment.

127. With respect to improving school attendance an Attendance Board, chaired by the Deputy Director of Children's Services, which includes partners across the range of

services meets each month to oversee the strategic direction of the Attendance Strategy and ensures all partners are engaged and focused on reducing absence. The 2009/10 absence results represented significant improvement and the gap between the Manchester and national average narrowed considerably. In half term 4 Primary School overall absence dipped to 5.23% in line with the national average of (5.22%). This positive trajectory of improvement has continued into 2010/11. At the end of half term 3 overall and persistent absence for all school types had improved compared to the equivalent period last year. In light of the significant improvements and the opportunities and challenges that the new strategic and operational contexts present, the Attendance Board has recently undertaken the task of reviewing the Attendance Strategy implementation plan and of moving towards a business as usual model, still to be monitored by the Board, which will ensure that Manchester sustains and builds on the progress made in improving attendance in schools.

128. The Care Quality Commission (CQC) rates the Council's adult social care as "Performing well" which is consistent with the 2009 CQC assessment. It noted that there is very good progress in developing the Safeguarding Adults Board, that the Council has continued to proactively engage with partners in delivering improved outcomes for people who use mental health services and that there is recognition that this area of service provision is a continuing priority. The assessment highlighted that the council continues to engage with people, including the users of services and carers, to help inform the commissioning of those services and that people in Manchester have good access to personalised services, including individual budgets and this helps prevent them having to be admitted into a care setting away from their home.

129. Grant Thornton undertook some specific in-year reviews during 2010-11 that were all reported to Audit Committee. These covered the following areas:
   - Information Security Management Report – the review concluded on the need to implement some specific recommendations arising from previous audit reports, further develop IT governance arrangements and to update staff training/awareness programmes around information security
   - Review of IT Governance Report – the review concluded on the need to formalise the IT Board arrangements, update the IT strategy, develop a formal IT policy for all purchases to be routed through a central IT governance process and the need to fill vacancies in the IT structure.
   - Review of Partnership Working Arrangements – the review concluded that effective partnership arrangements exist with the PCT but that these could be enhanced in a number of areas such as collaborative procurement and increased engagement on estate planning.
   - Project Management Review – the review concluded that the Council has robust project management processes across the Transformation programme.

Internal Audit Work

130. Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on its control environment. As part of this role, the Head of Internal Audit and Risk Management produces an annual report giving an opinion on the adequacy and effectiveness of the Council's internal control environment which highlights any weaknesses. The report should also provide assurance that internal audit operates to the standards set out in the Code of Practice for Internal Audit in Local Government. The report for 2010/11 was taken to the March Audit Committee.

131. The opinion of the Head of Internal Audit and Risk Management is that "based on the programme of audit work and other than in respect of a number of significant control issues that have arisen during the year" the Council could be provided with "substantial assurance that the Council's systems of governance, risk management and internal control are generally sound and operate reasonably consistently across departments". These significant control issues have been included within the Annual Governance Statement and the Programme of Improvement.

132. The report also concludes that "In a Council of Manchester's size and complexity, with its significant change agenda, there is a heightened risk of breakdown of control particularly where roles and systems are changing. Where audit work has highlighted areas for improvement, recommendations have been made to address the risk and management action plans agreed".

133. During 2010/11 a Corporate Dashboard was introduced for reporting indicators of how well the Council and individual directorates were managing people, performance, finance and risk. The implementation of critical, major and significant internal audit recommendations was one of the agreed risk indicators. This dashboard has helped drive improvement in management action to deal with outstanding recommendations. Overall Internal Audit considers that appropriate actions are being taken to address recommendations in most business areas.

134. A review of the effectiveness of the system of internal audit, as required by the Accounts and Audit Regulations 2003 (Amended 2006 and 2011), has been undertaken. This concluded that the Council's system of Internal Audit is sound and that the Internal Audit Section has continued to make progress on improvements in service delivery and to assess and support the Council's priorities. The Section delivered a comprehensive and well rounded plan for the year and has a sound base for carrying out audit activities and meets its overall objectives in providing audit assurance and advisory support to the Council.

135. The Section continues to operate in line with professional standards and ethics for the delivery of audit work. External Audit has confirmed that it can place assurance on the quality of audit work done and that the service is performing well. There are opportunities for development, with the key priorities for the coming year being:
    - The reduction in reliance on external agency and contract staff for non-specialist support work;
    - Embedding the use of the upgraded audit management system to improve efficiency;
    - Strengthening performance and people management arrangements, including the use of the agreed competency framework to support Section, team and personal objective setting and appraisal; and
    - Investing further time and resource in the development of anti-fraud and investigation arrangements.

136. Within this context of development it is essential that the service delivers the 2011/12 Audit Plan and continues to engage officers and members during the year on the provision of constructive, timely and valuable support in the operation for effective arrangements for governance, risk management and control.

Management Review

137. In addition to the assurance provided by internal audit, all heads of service have been required to complete a self assessment on the adequacy of the arrangements in place within their service area for the following areas:

- Constitution
- Business Planning
- Risk Management
- Financial Management
- Project Management
- Information Manageme
- Human Resources
- Performance management
- Business Continuity
- Anti-Fraud & Whistleblowing

138. The results of the assessments have been collated and underpin the action plan.

Member Review

139. An assessment of the member assurance processes that are in place, which involved the Leader of the Council and the Chair of the Audit Committee, has also been carried out. Again the results of this have informed this statement.

Partnership Arrangements

140. The Council continues to deliver both its strategic objectives and services through partnerships. There are currently around 60 significant partnership arrangements within which the Council is working. These partnerships are not uniform in their nature and cover a wide range of activities from The Manchester Partnership, the local strategic partnership for the city which drives the city's Community Strategy to major regeneration partnerships such as New East Manchester and to more recent additions such as the six city Academies in the city.

141. As noted elsewhere, work is ongoing to review the governance structure of some significant partnerships to better reflect the priorities and needs of the Council going forward.

142. In recognition of the Council's high number of partnerships and the importance of partnership working as a result of prevailing economic circumstances, the Council is mindful of the need to ensure that all of the Council's partnerships continue to perform well, thereby delivering both value for money and the Council's strategic objectives on an ongoing basis, a Partnership Governance Framework is in place. This framework is designed to define and standardise the approach to managing its partnerships, in order to help strengthen accountability, manage risk, rationalise working arrangements and achieve value for money. Whilst all of the Council's significant subsidiary companies, such as the Manchester Airport Group, are included on the partnership register and comply with the governance framework, the Council also ensures that its interests are represented at Board level by senior officers and members as appropriate.

143. The Council's register of significant partnerships has been maintained and updated in the year to keep sight of any potential governance issues in such partnerships and which is also used to direct the partnership review work of Internal Audit to those

which represent the highest risk. As such, the governance of Partnerships does not represent the same high level of risk to the Council that it did during previous years.

144. In the 2010 AGS, Adult Services recognised that its mental health services needed improving and that there was a need to strengthen joint working with the Manchester Mental Health and Social Care Trust to increase the strategic effectiveness of mental health services, the implementation of improved partnership arrangements, including governance. Appropriate measures have been implemented in 2010/11.

145. Since the 2010 AGS, a revised Partnership Agreement between MCC and the Trust has been reached. This agreement enabled the transfer of staff and delegation of their functions into the Trust with the intention being to improve the effectiveness of mental health services.

146. The transfer of such staff occurred in September 2010 and the Trust is subject to a specific delivery plan which includes key performance targets for the enlarged organisation (for example, measuring the number of referrals, providing a monthly financial report to ensure the service is delivered on budget etc).

147. Performance against this plan is being monitored through the Partnership Board which is chaired by the Strategic Director of Adult Services. The Board meets quarterly and receives reports on key aspects of the Partnership.

148. MCC has historically pooled budgets with the local PCT in relation to the commissioning of mental health services from voluntary organisations/other health providers, most notably the Manchester Mental Health and Social Care Trust. As part of the pooled fund agreement, the commissioning of social care services was the responsibility of the PCT, who subsequently delegated this function to the Mental Health and Social Care Trust.

149. Following a detailed review agreed by all parties and carried out by staff within the Directorate for Adults, concerns have been raised around the quality and value of money of this commissioning – for example, all places were commissioned on a spot rather than contractual basis. This has resulted in a disparate range of service provision, delivery models and costs. As a result, the Directorate for Adults has reviewed services to identify opportunities to deliver efficiencies via framework agreements and to improve value for money by redesigning services to strengthen their focus upon recovery and promoting independence.

150. MCC is also reviewing its contractual position with the PCT, as advised in a report on this pooled fund in March 2011, and will be looking to commission these services as part of the Directorate for Adults commissioning role in future. The quality and value for money of such services will be monitored by a lead commissioner and contracts staff within the Directorate, reporting to an internal Quality Board, chaired by the Assistant Director

Programme of Improvement for Significant Governance Issues

151. The Council is committed to the continuous improvement of our styles of management and leadership and the systems and processes within which staff operate. This will have a real impact on the culture of the organisation and our ability

to achieve the outcomes set out in the Community Strategy.

152. The review of governance arrangements has identified areas where further improvements need to be made and where the Council will need to focus its efforts during 2011/12, these are set out below. This programme has been prepared on the basis of current knowledge and it is likely that policies and measures announced by the Government over the coming months will impact on elements of the Council's governance arrangements. Where any changes result in revisions to this programme over the course of the year, these will be reported to and agreed with members.

- Work is ongoing to review the Sustainable Neighbourhoods Partnership, and how any changes would affect the Partnerships which support the SNP, and the need to strengthen our current Strategic Regeneration Delivery Groups, providing a clear focus on local areas within the city.
- Governance of the MIF must operate at different levels. Structures are being developed to oversee the development of community budgets. For example, a Manchester Investment Fund Board has been established to approve MIF investments and monitor performance. The work of the MIF will be overseen by the cross-cutting theme group set up to monitor delivery of aspects of the Council's business plan and chaired by the Leader. There are also supporting officer groups in place to support the development of the Community Budget proposition. We will consider in the December update to R&GOS the implementation of these proposals
- The pilot work undertaken has highlighted specific issues around Manchester moving towards an integrated commissioning model. From a governance perspective, it is key that a locality integrated commissioning framework should be developed; this will need to target and align resources around individuals, families and communities to deliver the specified outcomes (i.e. the work of the pilot programmes should be brought together when available and a coordinated approach for the future agreed).
- New service delivery models and new ways of delivering services are being developed (for example, Education Traded Services and the Early Years targeted offer). It is important that as these proposals evolve, appropriate governance arrangements are put in place in order to manage risk to the Council.
- The Localism Bill is currently passing through the House of Commons (at Commons report stage). The bill includes provision for directly elected mayors in 12 English cities including Manchester subject to a referendum. If a mayor were to be elected in Manchester the Council would cease to operate its existing executive arrangements and would operate a mayor and cabinet form of executive. The Bill also includes provisions regarding community empowerment including the ability for local people, councillors and council's to instigate a local referendum on any local issue; council tax referendums to veto excessive council tax rises; community right to challenge requiring the Council to consider an expression of interest in local groups providing, or assisting in providing, a service that is currently provided by (or on behalf) the Council; and community right to buy providing power for local groups to nominate land of community value to be recorded on a list of assets so that if it goes on sale the group can delay the sale whilst they prepare a business plan/raise funds to bid for the property. We will monitor the passage of the Localism Bill and its implications over the course of 2011/12.

- The Schools White paper and the Education Bill signal a change in relationship between the Local Authority and Schools whereby schools are seen as key commissioners of provision in their local community. We are looking at a new enterprise as an option to respond to this changing relationship with schools. Such an enterprise would be independent from the local authority and based on the nucleus of services that has traded successfully for 3 years at a full cost recovery. This proposal is still under development and various delivery options are being assessed. Any proposal will be subject to the required legal and statutory processes and to Executive approval in due course
- Consultation on the replacement for FMSiS was announced in March and the proposed approach comprises a school self assessment which is designed to inform the Local Authority and Internal Audit assessment of risk. Further discussions will be taking place in the Council, with schools and with colleagues across Greater Manchester and the Core Cities to determine the most efficient and effective way for all key stakeholders to obtain assurance over school governance and financial management arrangements
- Discussions have taken place with representatives of the third sector in order to develop a proposition for an infrastructure organisation that will bring together the current range of disparate groups thereby providing MCC with a strategic link to the third sector. The organisation would also provide advice on fundraising/bidding for grant funding and would operate a volunteering bureau. The scope and structure of this proposed organisation is yet to be finalised and will depend on a joint proposal from 3rd sector leaders that is due in June 2011
- The governance self-assurance questionnaire highlighted the risk of limited business continuity planning and testing of such plans as an emerging theme across the Council. The business continuity team are working with services to better embed the plans and testing of such plans within the organisation and will update in due course
- Whilst the ICT service has made progress in the year, there remains some distance to go. It is apparent that the governance of ICT needs to be strengthened. It is proposed that an ICT Board is formed to meet monthly to coordinate effort and ensure progress on the range of ICT issues identified. The ICT Board will report to SMT.
- The Council's Joint Health Unit (JHU) has now been integrated with the NHS Public Health Team to form Public Health Manchester under the leadership of the joint Director of Public Health and Partnerships (DPHP). A transformation project is underway to ensure that Public Health Manchester is able to respond to the challenges of the public health White Paper and to integrate it smoothly into MCC structures by April 2013. In the short term governance will have to be managed jointly with the PCT Cluster and Local Committee, which retains a statutory role for public health. The DPHP will also work closely with strategic directors for adults, children's and neighbourhood services to ensure that a coherent approach to the broader health and well being agenda is progressed.

153. The sub group of SMT will have responsibility for obtaining assurance that these improvements are taking place and will monitor and report progress against these areas. The group will report direct to the Chief Executive and SMT.

154. We propose over the coming year to take these steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation via an interim update to the R&GOS Governance sub group in December 2011 and as part of the next annual review.

Signed: ....

Leader of the Council

Signed: ....

Chief Executive

Appendix 1 – Action taken in relation to the Programme of Improvement for Significant Governance Issues identified in the 2010 Annual Governance Statement

The table below incorporates the Programme of Improvement for Significant Governance Issues identified in the 2010 Annual Governance Statement and provides a reference to the relevant paragraph within the 2011 Annual Governance Statement where the action taken to address the particular issue during 2010/11 has been described. Where an action is outstanding or further action has subsequently been identified, this is incorporated within this year's Annual Governance Statement.

Significant Governance Issue	Ref to 2011 AGS or comment
It is anticipated that the Government will introduce the Localism Bill in late November. They have described the purpose of the Bill to be to 're-invigorate local accountability, democracy and participation'. It will include proposals to give Councils a general power of competence, to abolish the Standards Board and to give local communities the right to save local facilities threatened with closure and take over local services.	46
The Coalition Government's proposals to reduce the UK national debt, and recent CSR announcement, have made it incumbent upon MCC and local partners to work together to deliver public services more efficiently. In order to deliver on the Public Service Reform agenda and operate in an environment of significantly reduced resources, the Council and its partners will need, starting with the Public Services Board, to review the appropriateness and effectiveness of all its governance and joint working arrangements to ensure they are robust and fit for purpose	17-18
A greater role of the third sector is a key feature of the Coalition Government's programme and is consistent with the Council's priorities. It will be important to ensure that the Council continues to provide local leadership for volunteering and support to third sector organisations which will encompass robust governance and delivery arrangements	60-63
The recent White Paper Equity and Excellence: liberating the NHS sets out significant changes to the health system. The challenge for MCC will be to ensure that such wide ranging reforms incorporate a broader model of commissioning that can impact upon opportunities and life chances of local residents. It is therefore essential that more joint working with health partners of the Council develops structures and processes which support a model of integrated commissioning that meets the wider needs of the local population The white paper provides for the abolition of PCTs and their replacement with GP consortia and an increased role for local	57-59

authorities by 2013 (although Manchester is proposing shadow arrangements are in place by April 2011). Details of the consortia and appropriate governance arrangements are still being developed (for example, the role of the statutory Health and Wellbeing Board). Thought needs to be given to appropriate shadow arrangements during the transition period (i.e. when the role of GP consortia is increasing and the role of the PCT diminishing)	
In the budget on 22 June 2010 the Coalition government confirmed the abolition of the Regional Development Agencies and the creation of Local Enterprise Partnerships based on functional economic areas. There is a clear and direct link to the work of the Combined Authority and the development of proposals for a new LEP will need to be developed in the context of existing and proposed governance arrangements for the new City Region	14-16
In May 2010, the Coalition government announced the abolition of the Comprehensive Area Assessment ("CAA"). Therefore, an opportunity exists for the Council to strengthen its own performance management system. The Council has an opportunity to make progress on delivering localism by showing the government what localism can achieve when underpinned by strong leadership from local government. It is important to ensure that in influencing and developing this framework over coming months, it is fit for purpose and that it is able to support effective decision making, drive the public sector reform agenda and support the culture of continuous improvement. The Government's intention is for councils and their partners to be accountable to their residents rather than reporting on indicators to government.	24
The AIM programme will transform the Council and it is vital that effective governance is in place both to underpin both an efficient process of transformation; and the effective operation of the resultant organisation. Key areas of activity to achieve these outcomes are; • Further work to ensure that good governance process and practice is embedded within the existing roles and activities of all managers and employees across the organisation. The Council will take the opportunity presented by the transformation of the Personnel and Organisation Development functions to develop an integrated approach to the development of skills and an awareness of all aspects of governance. It is expected that this activity will encompass an update of the Handbook for Leaders and will commence in the next calendar year. • The promotion of economic growth and social and physical transformation of neighbourhoods and people in Manchester through integrated, targeted interventions and integrated	96 29-30

commissioning requires the support of the whole Council. The development of an organisational structure with a streamlined Corporate Core which aligns finance, people and property and the creation of Neighbourhood Regeneration and Delivery teams will promote growth and reduce dependency and therefore realise a strategic shift in the balance of public spending that is sustainable beyond the next three years	
To genuinely support the process of transformation, the Council recognises its approach to resource management has to be innovative and ambitious. The key actions to be undertaken over the coming year are: • An update of the People Strategy as well as the measures which underpin and measure progress in taking it forward. Employee satisfaction and motivation will be key and will be measured through the next employee survey in 2010; and • The delivery of a comprehensive approach and methodology to managing resources and deploying talent through times of organisational change, the M People Pathway, facilitated by the combination of the two existing Personnel and Organisational Development functions into a multi disciplinary Human Resources service under the leadership of a single HR and OD Director. The target date for implementation of the new service is September 2010.	95-100
The main challenge for an integrated commissioning approach is to deliver the priorities within the Community Strategy by targeting spend to reduce dependency and thereby improve outcomes for residents and reduce future spending at the same time. Over the course of 2010, the Council in conjunction with partners through the Public Services Board, will test and develop further the integrated commissioning model as a component of the public service reform agenda which is being driven by spatial and thematic pilot activity accompanying Greater Manchester's designation as a pilot statutory city region.	36-39
The continued development of strong governance and leadership in schools will remain an area of focus for the Council over the coming year, in particular: • Continued work to ensure the governing bodies of all Manchester's schools are fully engaged in all aspects of current activity to improve their governance arrangements and that progress is comprehensively measured, monitored and reported; • The delivery and implementation of the various governor support products and tools being developed as part of the Greater Manchester Challenge funded governance work stream being led by the Council; • The continued development of new approaches to school	49

governance and leadership arising from the Academies' programme; and • Further work to foster increased school to school collaboration and new models of schools governance. In addition, it is important to remain flexible in respect of changing government agendas (for example, an increased role for Free schools and Academies) and ensure that we are able to reflect any such policy arrangements within our governance arrangements	
The immediate implementation by management in Adult and Children's Services of agreed actions, following the identification significant non-compliance with documentation standards in the new MiCare system, to reduce the Council's exposure to risk in this area.	55-56
The Council will continue to review its approach to information governance including the clarification of roles and responsibilities in the area of information governance risks, in accordance with the LGA/SOCITM Data Handling Guidelines for Local Government which includes the designation of a Senior Information Risk Officer. In addition, assurance is being sought that the measures agreed by SMT last year in response to the ICO's undertaking and measures put in place in response to other incidents have been fully implemented.	85-87
Whilst there has been a positive direction of travel and significant improvement from the position 12 months ago within the ICT service, there remain a number of key areas to be addressed in order to deliver further significant improvements in the system of control, these include: • The consolidation of ICT service, management, delivery and budgets consolidated under the control of the CIO; • The standardisation, upgrading and mapping of the ICT estate, including implementation of an agreed standard for device and server build; • The development of a comprehensive understanding of all ICT contracts and suppliers, supported by standard contract and supplier management processes and consistent application of appropriate procurement processes for all new ICT contracts and supplier engagements; and • Fully embedding ICT governance and project management arrangements.	88-94
Following recognition by Adult Services during the year that its mental health services need improving and that there was a need to strengthen joint working with the Manchester Mental Health and Social Care Trust to increase the strategic effectiveness of mental health services, the implementation of improved partnership	146-149

arrangements, including governance, will be implemented in 2010/11.	
Continued work to support the embedding of risk management as a core competency across all corporate and operational services. Strategic priorities for 2010 and beyond includes: • Corporate risk managers to provide named officer support to Heads of Service and to support SMT and SMT sub group in discharging their responsibilities; and • The further expansion of the risk management training and facilitation programme as well as exploration of additional approaches to training delivery.	79-80